

**CITY OF SOUTH SALT LAKE**

**STATE OF UTAH**

**COMPREHENSIVE**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2005**

**Prepared By:**

**South Salt Lake Department of Finance**

## TABLE OF CONTENTS

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Finance officer's transmittal letter and report on financial statements	i
GFOA Certificate of Achievement	vi
Table of principal officials of the City of South Salt Lake	vii
Organization chart	viii
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	5-11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Assets - Proprietary Funds	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23-24
Notes to Financial Statements	27-47
Required Supplementary Information:	
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
General Fund	51
Redevelopment Agency	52
Other Supplementary Information:	
Combining Fund Statements:	
Combining Balance Sheet - Nonmajor Governmental Funds	55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	56
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Special Assessment Fund	57
Fire Truck Debt Service Fund	58
Sales Tax Debt Service Fund	59
Capital Projects Fund	60
<b>STATISTICAL SECTION</b>	
General Fund Expenditures by Function	63
Revenue by Source – General Fund	64
Tax Revenue by Source – General Fund	65
Total Sales Tax	66
Property Tax Assessed Valuations/Rates/Levies/Collection Rates	67
Assessed and Estimated Actual Value of Taxable Property	68
Property Tax Rates – Direct and Overlapping Governments	69

## TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
Special Assessment Billings and Collections	70
Computation of Legal Debt Margin	71
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	72
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures	73
Computation of Direct and Overlapping Debt	74
Revenue Bond Coverage	75
Demographic Statistics	76
Construction Value of Issued Permits	77
Ten Principal Sales Tax Payers	78
Ten Principal Property Tax Payers	79
Miscellaneous Statistics	80-81
Schedule of Insurance in Force	82
 SINGLE AUDIT SECTION	
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	85
Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	87-88
Summary Schedule of Findings and Questioned Costs	89
Schedule of Expenditures of Federal Awards	90-91
Summary Schedule of Prior Audit Findings	92
Independent Auditors' Report on State of Utah Legal Compliance	93-94

# **INTRODUCTORY**

## **SECTION**

**City of South Salt Lake**



*The City of South Salt Lake  
220 East Morris Ave., Suite 200  
South Salt Lake, UT 84115  
(801) 483.6000 Fax (801) 483.6001*

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November 15, 2005

To the Honorable Mayor, Members of the City Council, and Citizens of the City of South Salt Lake, Utah:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of South Salt Lake (the City) for the fiscal year ended June 30, 2005.

This report consists of management's representations concerning the finances of the City of South Salt Lake. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City of South Salt Lake has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of the City of South Salt Lake's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of South Salt Lake's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of South Salt Lake's financial statements have been audited by Pinnock, Robbins, Posey & Richins, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of South Salt Lake for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of South Salt Lake's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of South Salt Lake was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal

grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of South Salt Lake's separately issued Single Audit Report on page 87. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of South Salt Lake's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the City of South Salt Lake**

The City of South Salt Lake is a fourth-class city incorporated in 1938 under provisions of the State of Utah. South Salt Lake City is located in Salt Lake County in the heart of the greater Wasatch Front area. The City of South Salt Lake currently occupies a land area of 7.03 square miles and serves a population of 23,038. South Salt Lake is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of South Salt Lake has operated under the council-mayor alternative form of government in conformity with Utah law (Utah Code Annotated Section 10-3-12) since 1990. The seven-member City Council performs all legislative functions and is responsible, among other things, for passing ordinances and adopting the budget. The mayor performs all administrative functions, oversees day-to-day operations, and appoints department heads and boards with the consent of the city council. The mayor is elected to serve a four-year term. City council members serve four-year staggered terms. Five of the city council members are elected by district and two are elected at large.

The City of South Salt Lake provides a full range of services including: police and fire protection, municipal court, the construction and maintenance of streets and other infrastructure, recreational activities, cultural events, solid waste collection and disposal, water and sewer utility services, and housing services. The City of South Salt Lake has two component units, the Redevelopment Agency (RDA) of South Salt Lake, established in 1982, and the South Salt Lake Municipal Building Authority, established in 1996. The Municipal Building Authority currently has no assets, transactions, or budget. The Redevelopment Agency is governed by a board that is comprised of the city council, with the mayor serving as chief administrative officer. The Municipal Building Authority is governed by a board consisting of the city council. Additional information on the Redevelopment Agency can be found in Note 13 in the notes to the financial statements.

The annual budget serves as the foundation for the City of South Salt Lake's financial planning and control. The Uniform Fiscal Procedures Act adopted by the State of Utah governs budgetary procedures for the City of South Salt Lake. In compliance with this Act,

the mayor presents a tentative budget to the city council for adoption no later than the first regularly scheduled city council meeting in May. The RDA budget is presented to the board as required by state law. The city council is required to hold public hearings on the proposed budget and to adopt a budget by June 22. The council is required to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund (e.g. general), function (e.g. public safety), and department (e.g. police). The mayor may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the city council. Budget-to-actual comparisons are provided in this report for the General Fund, Capital Projects Fund, and the Redevelopment Agency as well as the non-major governmental funds. The budget to actual comparisons for these funds with appropriated annual budgets are presented in the governmental fund subsection of this report on pages 51-60.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment within which the City of South Salt Lake exists.

**Local economy.** The economic outlook for the City is encouraging just as it is for the State of Utah and the country as a whole. The on-going recovery from recession is beginning to benefit the City. The unemployment rate in Utah was 5.3% in calendar year 2004 compared to 5.5% for the United States as a whole. The job growth rate for Utah was -.1% in calendar year 2003 and 2.5% in 2004 compared to a U.S. growth rate of -.3% in calendar 2003 and 1.0% in 2004. These statistics are derived from the State of Utah Governor's Office of Planning and Budget.

The City benefits from the large portion of the sales in our area attributed to the building supply industry. Due to low interest rates and a growing economy Utah continued to experience an unprecedented building boom in 2004. Construction value achieved an all time high of \$4.9 billion. We anticipate strong residential and commercial building to continue in the coming year resulting in increased revenue for the City.

**Long-term financial planning.** Approximately 35% of property within the City is exempt from property taxes. This condition is due to the fact that many county and regional public facilities are located within City boundaries. The Salt Lake County Adult Detention Center (jail), Utah Transit Authority facilities, Central Valley Water Reclamation Facility, Salt Lake County Solid Waste Transfer Station, Granite School District facilities and other public infrastructure are located in the City and occupy many acres of property. As a result, the City relies heavily on sales tax revenue to provide services. Sales taxes allow the residents of South Salt Lake to receive the same level of services that residents of other Utah cities enjoy. City officials work hard to maintain an environment that is conducive to business. The mayor and council are also working to redevelop commercial areas within the city.

The city has adequate cash reserves to cover cash flow requirements during the year. In the first few months of the fiscal year the City uses cash reserves to cover cash requirements thus

eliminating the need to issue tax & revenue anticipation notes. South Salt Lake begins to receive sales tax revenue in September and property tax revenue in November.

Annually the City allocates as much revenue as possible into the Capital Improvement Fund. South Salt Lake utilizes a conservative approach to issuing debt and almost always uses a "pay as you go" approach to acquiring capital assets. Class C road funds, derived from gasoline taxes, are used to fund large road construction projects. Funds are received quarterly and can be carried over from year to year until projects are undertaken.

The water utility system has completed an upgrade in the water system as laid out in the Water Utility General Plan. The majority of the project was completed with a loan from the Utah State Water Loan Revolving Fund. The project included the re-drilling of the 700 East well with a new well-house, booster station on the west side of town, and replacements of a portion of the four inch water lines with eight inch lines. Financing for the remaining four inch line replacements is under review.

Portions of the storm drain master plan was implemented with the completion of the Six Block Area Project with capital project funds and impact fees received from Salt Lake County for the area annexed on October 1, 1998. The \$2.5 million project involves storm drain, curb, and gutter improvements. In conjunction with the storm drain project, the adjoining streets and sidewalks were improved as well.

**Cash management policies and practices.** City funds are invested in accordance with the State of Utah Money Management Act. The city treasurer focuses on safety, liquidity, and yield of investment. All City funds are invested in the State of Utah Public Treasurers Investment Fund (PTIF) and managed by the Utah State Treasurer. The average yield for the year was 2.4%.

**Risk management.** The City of South Salt Lake is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. The City carries third-party insurance coverage for general liability, auto liability, workers compensation, and property. The City works closely with the third-party insurance carriers to establish and implement risk management policies and procedures. South Salt Lake has an aggressive loss avoidance program which involves employee education, safety committee and accident review procedures. The City has an Internal Service Insurance Reserve Fund which allocates costs to specific departments. Additional information on city's risk management activity can be found in Note 12 of the financial statements.

**Pensions and other post employment benefits.** The City of South Salt Lake is a member of the Utah Retirement Systems (URS). All liabilities for pensions are fully funded each year. The URS include separate pension plans for public employees, public safety (police), firefighters, and judges. These plans are all administered by URS. Additional information is included in Note 10 and in the URS CAFR report. The City of South Salt Lake does not provide post retirement benefits.



### **Awards and acknowledgements.**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Salt Lake for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004. This was the eighth consecutive year that the city has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We expect our current CAFR will meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire administrative staff of the city. I would like to express appreciation to all members of the Finance Department who assisted in the preparation of this report. I also appreciate the professional service and assistance rendered by the public accounting firm of Pinnock, Robbins, Posey & Richins. Credit is also given to the mayor and city council for their support in maintaining the highest standards of professionalism and integrity regarding the financial management of the City of South Salt Lake.

Respectfully submitted,



Kyle Kershaw  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of South Salt Lake,  
Utah

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

President

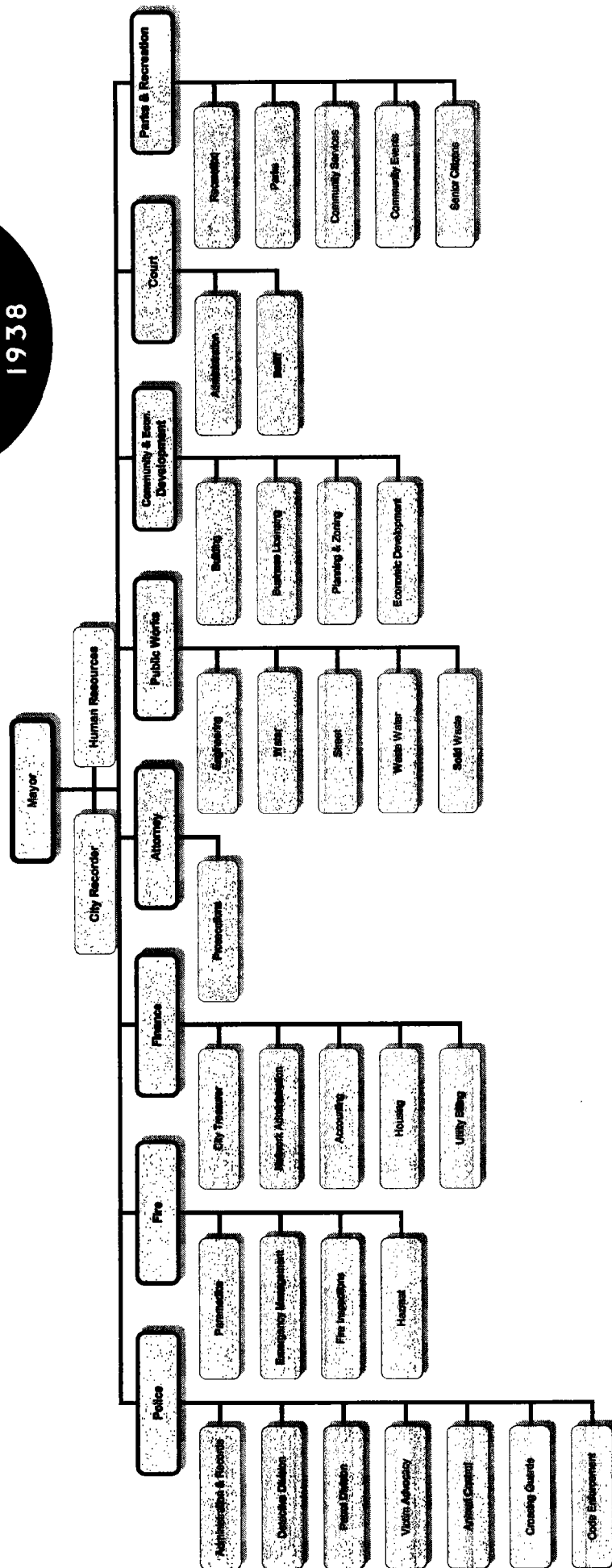
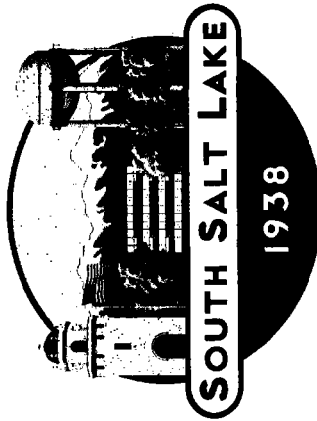
*Jeffrey R. Emer*

Executive Director

**City of South Salt Lake  
Principal Officials  
June 30, 2005**

Wes C. Losser	Mayor
Robert D. Gray	Council Member at Large
Poponatui Sitake	Council Member at Large
Marilyn Bruschi	Council Member District 1
Boyd Marshall	Council Member District 2
Renee Watts	Council Member District 3
Bill Anderson	Council Member District 4
Shane Siwik	Council Member District 5
Theresa Garner	Police Chief
Steve Foote	Fire Chief
Kyle Kingsbury	Public Works Director
Kyle Kershaw	Finance Director
David Carlson	City Attorney
Craig Burton	City Recorder
Susannah Hutchins	City Treasurer
Bruce Talbot	Community & Economic Development Director

# 2005 City Organization Chart



# **FINANCIAL SECTION**

**City of South Salt Lake**



# PINNOCK, ROBBINS, POSEY & RICHINS

*Certified Public Accountants • A Professional Corporation*

Roger B. Pinnock, CPA

Ronald D. Robbins, CPA

David T. Posey, CPA

Roger O. Richins, CPA

Janis R. Kline, CPA

James R. Beaudoin, PFS, CFP, CPA

## INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor and  
Members of the City Council  
City of South Salt Lake, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Salt Lake, Utah, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of South Salt Lake's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Salt Lake, Utah, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2005, on our consideration of the City of South Salt Lake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 11, 51, and 52 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of South Salt Lake's basic financial statements. The accompanying schedule of expenditures of federal awards required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the introductory section, combining nonmajor fund financial statements, budgetary comparison information for nonmajor and capital projects funds, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, combining nonmajor fund financial statements, and budgetary comparison information for nonmajor and capital projects funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pinnock, Robbins, Posey & Richins

November 15, 2005

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



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# CITY OF SOUTH SALT LAKE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### YEAR ENDING JUNE 30, 2005

As management of the City of South Salt Lake, we offer readers of the City of South Salt Lake's financial statements this narrative overview and analysis of the financial activities of the City of South Salt Lake for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in whole dollars. A comparison to prior year information is also included.

#### **Financial Highlights**

- The assets of the City of South Salt Lake exceeded its liabilities at the close of the most recent fiscal year by \$63,709,964 (*net assets*). Of this amount, \$22,931,079 (*unrestricted net assets*) may be used to meet the city's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of South Salt Lake's governmental funds reported combined ending fund balances of \$13,641,451. Approximately 70 percent of this total amount, \$9,582,724, is available for spending at the City's discretion (*unreserved fund balance*).
- As a result of improved economic conditions, sales tax revenue increased by 11 percent.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of South Salt Lake's basic financial statements. The City of South Salt Lake's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

***Government-wide financial statements.*** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of South Salt Lake's finances, in a manner similar to a private-sector business.

*The statement of net assets* presents information on all of the City of South Lake's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of South Salt Lake is improving or deteriorating.

*The statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of South Salt Lake that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of South Salt Lake include general government, public safety, highways and public improvements, parks and recreation, and redevelopment. The business-type activities of the City of South Salt Lake include Water and Sewer Utilities and Housing.

## CITY OF SOUTH SALT LAKE

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The government-wide financial statements include one component unit, the Redevelopment Agency of South Salt Lake. Financial information for the Redevelopment Agency is blended with the primary government.

***Fund financial statements.*** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of South Salt Lake, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of South Salt Lake can be divided into two categories: governmental funds and proprietary funds.

***Governmental funds.*** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of South Salt Lake maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, and the redevelopment agency, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of South Salt Lake adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

***Proprietary funds.*** The City of South Salt Lake maintains proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of South Salt Lake uses enterprise funds to account for its Water and Sewer Utilities and Housing Fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its Insurance Reserve Fund. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utilities and Housing Fund, all of which are considered to be major funds of the City of South Salt Lake. The internal service fund is also presented in the proprietary fund statements.

# CITY OF SOUTH SALT LAKE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Notes to the financial statements.** The notes provide additional financial information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of South Salt Lake, assets exceeded liabilities by \$63,709,964 at the close of the most recent fiscal year.

By far the largest portion of the City of South Salt Lake's net assets (61 percent) reflects its investment in capital assets (e.g., land, buildings, machinery & equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City of South Salt Lake uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of South Salt Lake's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### **Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$17,383,009	\$17,007,895	\$ 9,390,207	\$ 9,202,660	\$26,773,216	\$26,210,555
Capital assets	<u>36,253,892</u>	<u>34,665,420</u>	<u>12,180,967</u>	<u>12,591,563</u>	<u>48,434,859</u>	<u>47,256,983</u>
Total assets	<u>\$53,636,901</u>	<u>\$51,673,315</u>	<u>\$21,571,174</u>	<u>\$21,794,223</u>	<u>\$75,208,075</u>	<u>\$73,467,538</u>
Other liabilities	\$ 2,302,343	\$ 4,596,366	\$ 614,393	\$ 1,010,888	\$ 2,916,736	\$ 5,607,254
Long-term liabilities outstanding	<u>4,648,000</u>	<u>5,117,000</u>	<u>3,933,375</u>	<u>4,221,500</u>	<u>8,581,375</u>	<u>9,338,500</u>
Total liabilities	<u>\$ 6,950,343</u>	<u>\$ 9,713,366</u>	<u>\$ 4,547,768</u>	<u>\$ 5,232,388</u>	<u>\$11,498,111</u>	<u>\$14,945,754</u>
Invested in capital assets, net of related debt	\$31,061,029	\$28,918,417	\$ 7,878,236	\$ 7,924,563	\$38,939,265	\$36,842,980
Restricted	1,166,208	3,063,507	673,412	593,617	1,839,620	3,657,124
Unrestricted	<u>14,459,321</u>	<u>9,978,025</u>	<u>8,471,758</u>	<u>8,043,655</u>	<u>22,931,079</u>	<u>18,021,680</u>
Total net assets	<u>\$46,686,558</u>	<u>\$41,959,949</u>	<u>\$17,023,406</u>	<u>\$16,561,835</u>	<u>\$63,709,964</u>	<u>\$58,521,784</u>

An additional portion of the City of South Salt Lake's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (36 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of South Salt Lake is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was an increase of \$5,188,180 in total net assets compared to the prior year. This increase is comprised of \$4,726,609 in governmental activities and \$461,571 in business-type activities.

# CITY OF SOUTH SALT LAKE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for service	\$ 3,079,571	\$ 2,808,366	\$ 3,163,038	\$ 3,031,003	\$ 6,242,609	\$ 5,839,369
Operating grants and contributions	2,040,547	1,955,597	500,572	151,895	2,541,119	2,107,492
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	2,886,714	2,889,266	-	-	2,886,714	2,889,266
Other taxes	13,648,680	11,907,474	-	-	13,648,680	11,907,474
Other	295,085	212,227	84,114	37,198	379,199	249,425
Total revenues	<u>21,950,597</u>	<u>19,772,930</u>	<u>3,747,724</u>	<u>3,220,096</u>	<u>25,698,321</u>	<u>22,993,026</u>
Expenses:						
General government	3,215,423	3,397,322	-	-	3,215,423	3,397,322
Public safety	9,699,369	9,581,580	-	-	9,699,369	9,581,580
Highways and public improvements	3,002,812	3,286,886	-	-	3,002,812	3,286,886
Parks and recreation	668,943	671,326	-	-	668,943	671,326
Redevelopment	380,467	334,911	-	-	380,467	334,911
Interest on long-term debt	256,974	289,418	-	-	256,974	289,418
Water Utility	-	-	1,676,388	1,780,061	1,676,388	1,780,061
Sewer Utility	-	-	1,300,525	1,208,853	1,300,525	1,208,853
Housing	-	-	309,240	249,207	309,240	249,207
Total expenses	<u>17,223,988</u>	<u>17,561,443</u>	<u>3,286,153</u>	<u>3,238,121</u>	<u>20,510,141</u>	<u>20,799,564</u>
Increase (decrease) in net assets	4,726,609	2,211,487	461,571	(18,025)	5,188,180	2,193,462
Net assets - beginning (as restated)	<u>41,959,949</u>	<u>39,748,462</u>	<u>16,561,835</u>	<u>16,579,860</u>	<u>58,521,784</u>	<u>56,328,322</u>
Net assets - ending	<u>\$46,686,558</u>	<u>\$41,959,949</u>	<u>\$17,023,406</u>	<u>\$16,561,835</u>	<u>\$63,709,964</u>	<u>\$58,521,784</u>

**Governmental activities.** Governmental activities increased the City of South Salt Lake's net assets by \$4,726,609, thereby accounting for 91 percent of the total growth in the net assets of the City of South Salt Lake. The increase in governmental activities is primarily explained by the following:

- The City received approximately \$189,000 during the fiscal year because the City is a recipient of the federal government's State Domestic Preparedness Equipment Support grant program. These grant proceeds were expended in the public safety and public works areas.
- Due to increases in public utility rates, as well as general improvement in the local economy energy sales and use tax revenue increased by approximately \$717,000 over the prior year.
- The City received an increase of approximately \$1,022,000 in sales tax revenue. The increase is a result of improved economic conditions locally and nationally.
- Expenditures decreased by approximately \$187,000 in the redevelopment agency due to capital projects being delayed.
- Due to increases in interest rates investment income increased by approximately \$96,000 during the fiscal year.

**Business-type activities.** Business-type activities increased the City of South Salt Lake's net assets by \$461,571, accounting for nine percent of the total growth in the government's net assets. Most of the increase is due to additional Community Development Block Grant revenue. The City undertook and completed additional community projects during the year.

## CITY OF SOUTH SALT LAKE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### **Financial Analysis of the Government's Funds**

As noted earlier, the City of South Salt Lake uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of South Salt Lake's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of South Salt Lake's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of South Salt Lake's governmental funds reported combined ending fund balances of \$13,641,451, an increase of \$2,513,415 in comparison with the prior year. Approximately 70 percent of this total amount (\$9,582,724) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$1,768,718), 2) to pay debt service (\$1,166,208), and 3) for a variety of other restricted purposes (\$1,123,801).

The general fund is the main operating fund of the City of South Salt Lake. At the end of the current fiscal year, unreserved and total fund balance of the general fund was \$2,557,253. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. This results in fund balance being 15.4 percent of expenditures. Total fund balance is approximately 15 percent of subsequent year budgeted fund revenues. The amount of fund balance allowed in the general fund is limited by Utah State law to 18 percent of subsequent year budgeted revenues.

The general fund balance decreased by \$7,935 during the current fiscal year. The capital projects fund balance increased by \$2,199,621. This increase is due to the fact that sales tax revenue allocated to the capital projects fund was greater than expected. In addition, expenditures for certain projects were less than budgeted. Other governmental funds have a total fund balance of \$1,252,885, all of which is restricted for various uses.

**Proprietary funds.** The City of South Salt Lake's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail. Unrestricted net assets of the Water Utility Fund was \$361,093, Sewer Utility Fund was \$7,099,775, and Housing Fund was \$1,005,641. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of South Salt Lake's business-type activities.

#### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were substantial (\$903,210 increase in appropriations). The primary reason for these increases was the approval of additional Class C road projects (\$600,000) and City Council approval of additional payroll benefits (401(k)) for employees.

During the year, general fund expenditures were \$729,735 less than budgeted. This reduction reflects a loss of personnel during the year, as well as the City's policy of conservative departmental spending.

**CITY OF SOUTH SALT LAKE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Capital Asset and Debt Administration**

**Capital assets.** The City of South Salt Lake's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$48,434,859 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure. The City of South Salt Lake's investment in capital assets for the current fiscal year increased 4.6 percent for governmental activities and decreased 3.3 percent for business-type activities.

Major capital asset events during the current fiscal year included the following:

- Commencement of Fitts Park Improvements
- Continued acquisition of emergency response equipment using Weapons of Mass Destruction grant proceeds, as well as City funds
- Completion of Jordan River Parkway sports field project
- Commencement of water reclamation expansion project
- Completion of a \$2,500,000 concrete, storm drain and road project.

**Capital Assets  
Net of Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 3,874,010	\$ 3,830,810	\$ 762,560	\$ 762,560	\$ 4,636,570	\$ 4,593,370
Buildings	13,929,047	14,260,421	2,009,828	2,063,160	15,938,875	16,323,581
Improvements	1,681,679	1,427,789	8,711,792	9,000,360	10,393,471	10,428,149
Machinery and equipment	3,313,432	3,622,799	696,787	765,483	4,010,219	4,388,282
Infrastructure	13,430,554	10,368,359	—	—	13,430,554	10,368,359
Construction in progress	25,170	1,155,242	—	—	25,170	1,155,242
<b>TOTAL</b>	<b>\$36,253,892</b>	<b>\$34,665,420</b>	<b>\$12,180,967</b>	<b>\$12,591,563</b>	<b>\$48,434,859</b>	<b>\$47,256,983</b>

Additional information on the City of South Salt Lake's capital assets can be found in Note 5.

**Long-term debt.** At the end of the current fiscal year, the City of South Salt Lake had total debt of \$9,419,731. The debt represents bonds secured solely by specified revenue sources, as well as a \$540,000 Fannie Mae housing loan. The City of South Salt Lake debt decreased by \$908,821 during the current fiscal year. On-going debt retirement accounts for the decrease. The City incurred new debt of \$81,231 during the fiscal year. The City of South Salt Lake has no outstanding general obligation debt.

**Long-Term Debt**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Sales tax revenue bond	\$ 5,010,000	\$ 5,425,000	\$ —	\$ —	\$ 5,010,000	\$ 5,425,000
Special improvement district bonds	107,000	139,000	—	—	107,000	139,000
Fire truck leases	—	97,552	—	—	—	97,552
Water/Sewer revenue bonds	—	—	3,681,500	3,867,000	3,681,500	3,867,000
Fannie Mae housing loan	—	—	540,000	800,000	540,000	800,000
Central Valley loan	—	—	81,231	—	81,231	—
<b>Total</b>	<b>\$ 5,117,000</b>	<b>\$ 5,661,552</b>	<b>\$ 4,302,731</b>	<b>\$ 4,667,000</b>	<b>\$ 9,419,731</b>	<b>\$10,328,552</b>

## CITY OF SOUTH SALT LAKE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Additional information on the City of South Salt Lake's long-term debt can be found in Note 8.

#### **Economic Factors and Next Year's Budgets and Rates**

The City of South Salt Lake relies on sales tax as the main source of revenue in the general fund. Due to economic conditions, sales tax revenue increased during the fiscal year. The City of South Salt Lake will budget sales tax revenue, and corresponding expenditures, based on the amount of revenue actually received in the prior year.

Local and national economies are expected to improve again in the coming year. As economic conditions improve, the City of South Salt Lake anticipates greater sales tax revenue which will lead to positive budget adjustments. In the 2006 session of the Utah State Legislature, there is legislation being considered that could adversely affect sales tax the City receives. The City will monitor and adjust budgeting policies accordingly.

#### **Requests for Information**

This financial report is designed to provide a general overview of the City of South Salt Lake's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Finance Director, 220 E Morris Avenue, South Salt Lake, UT 84115.



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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF SOUTH SALT LAKE**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2005**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 10,753,782	\$ 1,295,604	\$ 12,049,386
Taxes receivable	1,839,740	—	1,839,740
Accounts receivable - net	—	387,235	387,235
Miscellaneous receivable	507,533	—	507,533
Internal balances	137,383	(137,383)	—
Due from other governmental units	2,223,128	366,890	2,590,018
Property acquired for redevelopment	1,179,480	—	1,179,480
Property held for sale	—	242,807	242,807
Deferred bond financing cost - net	—	38,917	38,917
Loans receivable	—	554,180	554,180
Investment in joint venture	—	5,968,545	5,968,545
Restricted cash and cash equivalents	741,963	673,412	1,415,375
Capital assets (net of accumulated depreciation):			
Land	3,874,010	762,560	4,636,570
Buildings	13,929,047	2,009,828	15,938,875
Improvements other than buildings	1,681,679	8,711,792	10,393,471
Equipment	3,313,432	696,787	4,010,219
Infrastructure	13,430,554	—	13,430,554
Construction in progress	25,170	—	25,170
<b>TOTAL ASSETS</b>	<b><u>\$ 53,636,901</u></b>	<b><u>\$ 21,571,174</u></b>	<b><u>\$ 75,208,075</u></b>
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	\$ 1,145,737	\$ 192,153	\$ 1,337,890
Compensated absences	361,135	16,967	378,102
Customer deposits payable	36,988	35,917	72,905
Deferred revenue	213,620	—	213,620
Bond interest payable	75,863	—	75,863
Noncurrent liabilities:			
Due within one year	469,000	369,356	838,356
Due in more than one year	4,648,000	3,933,375	8,581,375
<b>TOTAL LIABILITIES</b>	<b><u>\$ 6,950,343</u></b>	<b><u>\$ 4,547,768</u></b>	<b><u>\$ 11,498,111</u></b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	\$ 31,061,029	\$ 7,878,236	\$ 38,939,265
Restricted for:			
Debt service	1,166,208	673,412	1,839,620
Unrestricted	14,459,321	8,471,758	22,931,079
<b>TOTAL NET ASSETS</b>	<b><u>\$ 46,686,558</u></b>	<b><u>\$ 17,023,406</u></b>	<b><u>\$ 63,709,964</u></b>

The notes to the financial statements are an integral part of this statement.

# CITY OF SOUTH SALT LAKE

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

### Function/Programs

#### PRIMARY GOVERNMENT:

##### Governmental activities:

General government  
Public safety  
Highways and public improvements  
Parks and recreation  
Redevelopment  
Interest on long-term debt

#### TOTAL GOVERNMENTAL ACTIVITIES

##### Business-type activities:

Water utility  
Sewer utility  
Housing

#### TOTAL BUSINESS-TYPE ACTIVITIES

#### TOTAL PRIMARY GOVERNMENT

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
						Total
	\$ 3,215,423	\$ 1,136,151	\$ -	\$ -	\$ (2,079,272)	\$ (2,079,272)
	9,699,369	1,916,229	341,699	-	(7,441,441)	(7,441,441)
	3,002,812	-	1,698,848	-	(1,303,964)	(1,303,964)
	668,943	27,191	-	-	(641,752)	(641,752)
	380,467	-	-	-	(380,467)	(380,467)
	256,974	-	-	-	(256,974)	(256,974)
	<u>17,223,988</u>	<u>3,079,571</u>	<u>2,040,547</u>	<u>-</u>	<u>(12,103,870)</u>	<u>(12,103,870)</u>
	1,676,388	1,720,105	-	-	\$ 43,717	43,717
	1,300,525	1,386,128	-	-	85,603	85,603
	309,240	56,805	500,572	-	248,137	248,137
	<u>3,286,153</u>	<u>3,163,038</u>	<u>500,572</u>	<u>-</u>	<u>377,457</u>	<u>377,457</u>
	<u>\$20,510,141</u>	<u>\$ 6,242,609</u>	<u>\$ 2,541,119</u>	<u>\$ -</u>	<u>(12,103,870)</u>	<u>(11,726,413)</u>
General revenues:						
Property taxes					2,886,714	2,886,714
Sales taxes					10,904,195	10,904,195
Energy sales and use taxes					2,719,010	2,719,010
Highway taxes					25,475	25,475
Unrestricted investment earnings					295,024	84,114
Gain on sale of capital assets					61	61
					<u>16,830,479</u>	<u>16,914,593</u>
TOTAL GENERAL REVENUES						
CHANGE IN NET ASSETS					4,726,609	5,188,180
NET ASSETS - BEGINNING					40,520,569	57,234,645
Adjustment to deferred revenue (note 3)					1,839,744	1,839,744
Adjustment to accrued payroll (note 3)					(400,364)	(422,799)
Adjustment to accumulated depreciation (note 3)					-	(129,806)
NET ASSETS - BEGINNING (AS RESTATED)					<u>41,959,949</u>	<u>58,521,784</u>
NET ASSETS - ENDING					<u>\$ 46,686,558</u>	<u>\$ 63,709,964</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF SOUTH SALT LAKE**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2005**

	General Fund	Capital Projects Fund	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 2,240,716	\$ 6,805,810	\$ 658,565	\$ 537,969	\$10,243,060
Receivables (net):					
Taxes	1,839,740	-	-	-	1,839,740
Miscellaneous	384,675	-	-	122,858	507,533
Interfund note receivable	-	1,768,718	-	-	1,768,718
Due from other governmental units	1,014,001	1,209,127	-	-	2,223,128
Due from other funds	-	142,736	-	-	142,736
Property acquired for redevelopment	-	-	1,179,480	-	1,179,480
Cash and cash equivalents - restricted	97,557	-	-	644,406	741,963
<b>TOTAL ASSETS</b>	<b><u>\$ 5,576,689</u></b>	<b><u>\$ 9,926,391</u></b>	<b><u>\$ 1,838,045</u></b>	<b><u>\$ 1,305,233</u></b>	<b><u>\$18,646,358</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Accounts payable	\$ 576,503	\$ 95,078	\$ -	\$ -	\$ 671,581
Salaries/payroll payables	474,156	-	-	-	474,156
Due to other funds	-	-	-	104	104
Deposits	36,988	-	-	-	36,988
Interfund notes payable	-	-	1,757,609	11,109	1,768,718
Deferred revenue	1,931,789	-	-	121,571	2,053,360
<b>TOTAL LIABILITIES</b>	<b><u>3,019,436</u></b>	<b><u>95,078</u></b>	<b><u>1,757,609</u></b>	<b><u>132,784</u></b>	<b><u>5,004,907</u></b>
Fund Balances:					
Reserved for debt service	-	-	-	1,166,208	1,166,208
Unreserved, designated for, reported in:					
UTA arts in transit	-	24,314	-	-	24,314
Interfund note	-	1,768,718	-	-	1,768,718
Sidewalks	-	33,511	-	-	33,511
Tree removal	-	45,199	-	-	45,199
Traffic mitigation	-	24,993	-	-	24,993
Olympic sales taxes	-	995,784	-	-	995,784
Unreserved, undesignated, reported in:					
General fund	2,557,253	-	-	-	2,557,253
Special revenue funds	-	-	80,436	6,241	86,677
Capital projects fund	-	6,938,794	-	-	6,938,794
<b>TOTAL FUND BALANCES</b>	<b><u>2,557,253</u></b>	<b><u>9,831,313</u></b>	<b><u>80,436</u></b>	<b><u>1,172,449</u></b>	<b><u>13,641,451</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 5,576,689</u></b>	<b><u>\$ 9,926,391</u></b>	<b><u>\$ 1,838,045</u></b>	<b><u>\$ 1,305,233</u></b>	<b><u>\$18,646,358</u></b>

The notes to the financial statements are an integral part of this statement.

**CITY OF SOUTH SALT LAKE**

**RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2005**

Total fund balances - governmental fund types	\$13,641,451
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	36,253,892
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	1,839,740
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(5,553,998)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets	<u>505,473</u>
Net assets of government activities	<u>\$46,686,558</u>

**CITY OF SOUTH SALT LAKE**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes	\$11,639,269	\$ 3,493,452	\$ 760,606	\$ 642,071	\$16,535,398
Licenses and permits	710,514	—	—	—	710,514
Intergovernmental	1,844,840	259,207	—	—	2,104,047
Charges for services	210,975	38,971	—	34,195	284,141
Fines and forfeitures	1,711,352	—	—	—	1,711,352
Investment earnings	139,093	120,543	—	25,286	284,922
Miscellaneous revenue	<u>310,064</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>310,064</u>
TOTAL REVENUES	<u>16,566,107</u>	<u>3,912,173</u>	<u>760,606</u>	<u>701,552</u>	<u>21,940,438</u>
EXPENDITURES:					
Current:					
General government	2,747,649	150,880	50,741	—	2,949,270
Public safety	9,035,619	468,284	—	—	9,503,903
Highways and public improvements	4,166,335	660,758	—	—	4,827,093
Parks and recreation	681,817	330,737	—	—	1,012,554
Redevelopment	—	—	380,467	—	380,467
Debt service:					
Principal retirement	—	—	—	544,552	544,552
Interest and fiscal charges	<u>—</u>	<u>—</u>	<u>24,538</u>	<u>242,024</u>	<u>266,562</u>
TOTAL EXPENDITURES	<u>16,631,420</u>	<u>1,610,659</u>	<u>455,746</u>	<u>786,576</u>	<u>19,484,401</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(65,313)</u>	<u>2,301,514</u>	<u>304,860</u>	<u>(85,024)</u>	<u>2,456,037</u>
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	—	(101,893)	—	101,893	—
Sale of fixed assets	<u>57,378</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>57,378</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>57,378</u>	<u>(101,893)</u>	<u>—</u>	<u>101,893</u>	<u>57,378</u>
NET CHANGE IN FUND BALANCES	<u>(7,935)</u>	<u>2,199,621</u>	<u>304,860</u>	<u>16,869</u>	<u>2,513,415</u>
FUND BALANCES – BEGINNING	2,965,552	7,631,692	(224,424)	1,155,580	11,528,400
Adjustment to accrued payroll (note 3)	<u>(400,364)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(400,364)</u>
FUND BALANCES – BEGINNING (AS RESTATED)	<u>2,565,188</u>	<u>7,631,692</u>	<u>(224,424)</u>	<u>1,155,580</u>	<u>11,128,036</u>
FUND BALANCES - ENDING	<u>\$ 2,557,253</u>	<u>\$ 9,831,313</u>	<u>\$ 80,436</u>	<u>\$ 1,172,449</u>	<u>\$13,641,451</u>

The notes to the financial statements are an integral part of this statement.



**CITY OF SOUTH SALT LAKE**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 2,513,415
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	1,645,789
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets	(57,317)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(4)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items	544,552
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	24,979
Internal service funds are used by management to charge the costs of insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities	<u>55,195</u>
Change in net assets of governmental activities	<u>\$ 4,726,609</u>

**CITY OF SOUTH SALT LAKE**

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUNDS**

**JUNE 30, 2005**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Fund</u>
	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Housing Fund</u>	<u>Total</u>	
<b>ASSETS:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 323,393	\$ 972,211	\$ -	\$ 1,295,604	\$ 510,722
Accounts receivable - net	152,881	226,128	8,226	387,235	-
Due from other governmental units	-	-	366,890	366,890	-
<b>TOTAL CURRENT ASSETS</b>	<u>476,274</u>	<u>1,198,339</u>	<u>375,116</u>	<u>2,049,729</u>	<u>510,722</u>
<b>Noncurrent assets:</b>					
Restricted cash and cash equivalents	438,780	30,750	203,882	673,412	-
Loans receivable	-	-	554,180	554,180	-
Land	301,831	2,317	458,412	762,560	-
Equipment, buildings and improvements	12,412,095	4,359,702	339,184	17,110,981	-
Less: accumulated depreciation	(4,184,070)	(1,491,545)	(16,959)	(5,692,574)	-
Investment in Central Valley Treatment Facility	-	9,711,771	-	9,711,771	-
Less: accumulated amortization	-	(3,743,226)	-	(3,743,226)	-
Property held for sale	-	-	242,807	242,807	-
Deferred bond financing costs - net	38,917	-	-	38,917	-
<b>TOTAL NONCURRENT ASSETS</b>	<u>9,007,553</u>	<u>8,869,769</u>	<u>1,781,506</u>	<u>19,658,828</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>9,483,827</u>	<u>10,068,108</u>	<u>2,156,622</u>	<u>21,708,557</u>	<u>510,722</u>
<b>LIABILITIES:</b>					
<b>Current liabilities:</b>					
Accounts payable	82,551	59,850	23,830	166,231	-
Wages payable	21,409	4,513	-	25,922	-
Accrued vacation	14,221	2,746	-	16,967	-
Due to other funds	-	-	142,632	142,632	-
Revenue bonds payable - current	127,000	61,500	-	188,500	-
Notes and loans payable - current	-	20,856	160,000	180,856	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>245,181</u>	<u>149,465</u>	<u>326,462</u>	<u>721,108</u>	<u>-</u>
<b>Noncurrent liabilities:</b>					
Customer deposits payable	35,917	-	-	35,917	-
Revenue bonds payable	2,509,000	984,000	-	3,493,000	-
Notes and loans payable	-	60,375	380,000	440,375	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>2,544,917</u>	<u>1,044,375</u>	<u>380,000</u>	<u>3,969,292</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>2,790,098</u>	<u>1,193,840</u>	<u>706,462</u>	<u>4,690,400</u>	<u>-</u>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	5,893,856	1,743,743	240,637	7,878,236	-
Restricted	438,780	30,750	203,882	673,412	-
Unrestricted	361,093	7,099,775	1,005,641	8,466,509	510,722
<b>TOTAL NET ASSETS</b>	<u>\$ 6,693,729</u>	<u>\$ 8,874,268</u>	<u>\$ 1,450,160</u>	<u>17,018,157</u>	<u>\$ 510,722</u>
<b>ADJUSTMENT TO REFLECT THE CONSOLIDATION OF INTERNAL SERVICE FUND ACTIVITIES RELATED TO ENTERPRISE FUNDS</b>				<u>5,249</u>	
<b>NET ASSETS OF BUSINESS-TYPE ACTIVITIES</b>				<u>\$17,023,406</u>	

The notes to the financial statements are an integral part of this statement.

**CITY OF SOUTH SALT LAKE**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Fund</u>
	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Housing Fund</u>	<u>Total</u>	
OPERATING REVENUES:					
Water sales	\$ 1,622,585	\$ -	\$ -	\$ 1,622,585	\$ -
Sewer service charges	-	1,282,727	-	1,282,727	-
Connection fees	11,665	900	-	12,565	-
Other services	<u>85,855</u>	<u>102,501</u>	<u>56,805</u>	<u>245,161</u>	<u>464,350</u>
TOTAL OPERATING REVENUES	<u>1,720,105</u>	<u>1,386,128</u>	<u>56,805</u>	<u>3,163,038</u>	<u>464,350</u>
OPERATING EXPENSES:					
Employee salaries	416,616	71,511	-	488,127	-
Employee benefits	173,444	36,933	-	210,377	-
Professional services	38,491	2,690	781	41,962	-
Supplies	29,332	18,920	220	48,472	-
Utilities	108,431	18,416	-	126,847	-
Equipment supplies and maintenance	76,716	18,391	-	95,107	-
Repairs and maintenance	57,376	68,699	38,702	164,777	-
Depreciation	402,506	102,104	16,959	521,569	-
Amortization of investment in sewer treatment facility	-	311,169	-	311,169	-
Bad debts	1,359	-	-	1,359	-
Central Valley sewer treatment costs	-	621,751	-	621,751	-
Water purchases	283,793	-	-	283,793	-
Sundry expense	5,555	1,278	71	6,904	-
Insurance	11,500	17,200	-	28,700	416,287
Furniture and equipment	4,399	13,243	-	17,642	-
TOTAL OPERATING EXPENSES	<u>1,609,518</u>	<u>1,302,305</u>	<u>56,733</u>	<u>2,968,556</u>	<u>416,287</u>
OPERATING INCOME	<u>110,587</u>	<u>83,823</u>	<u>72</u>	<u>194,482</u>	<u>48,063</u>
NONOPERATING REVENUES (EXPENSES):					
Interest revenue	34,030	46,361	3,723	84,114	10,102
Interest expense and fiscal charges	(65,628)	-	(17,288)	(82,916)	-
Federal grant revenue	-	-	500,572	500,572	-
Housing program expenses	-	-	(228,640)	(228,640)	-
Amortization of bond costs	(2,432)	-	-	(2,432)	-
(Loss) on disposition of fixed assets	-	-	(6,579)	(6,579)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(34,030)</u>	<u>46,361</u>	<u>251,788</u>	<u>264,119</u>	<u>10,102</u>
CHANGE IN NET ASSETS	<u>76,557</u>	<u>130,184</u>	<u>251,860</u>	<u>458,601</u>	<u>58,165</u>
TOTAL NET ASSETS - BEGINNING	6,769,413	8,744,084	1,198,300		452,557
Adjustment to accrued payroll (note 3)	(22,435)	-	-		-
Adjustment to accumulated depreciation (note 3)	<u>(129,806)</u>	<u>-</u>	<u>-</u>		<u>-</u>
TOTAL NET ASSETS - BEGINNING (AS RESTATED)	<u>6,617,172</u>	<u>8,744,084</u>	<u>1,198,300</u>		<u>452,557</u>
TOTAL NET ASSETS - ENDING	<u>\$ 6,693,729</u>	<u>\$ 8,874,268</u>	<u>\$ 1,450,160</u>		<u>\$ 510,722</u>
ADJUSTMENT TO REFLECT THE CONSOLIDATION OF INTERNAL SERVICE FUND ACTIVITIES RELATED TO ENTERPRISE FUNDS				<u>2,970</u>	
CHANGES IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES				<u>\$ 461,571</u>	

The notes to the financial statements are an integral part of this statement.

**CITY OF SOUTH SALT LAKE**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Fund</u>
	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Housing Fund</u>	<u>Total</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$ 1,748,157	\$ 1,376,927	\$ 56,636	\$ 3,181,720	\$ 464,350
Payments to suppliers	(687,705)	(767,629)	(161,900)	(1,617,234)	(416,757)
Payments to employees	(590,060)	(108,444)	—	(698,504)	—
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>470,392</u>	<u>500,854</u>	<u>(105,264)</u>	<u>865,982</u>	<u>47,593</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Grants and contributions received	—	—	271,932	271,932	—
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>—</u>	<u>—</u>	<u>271,932</u>	<u>271,932</u>	<u>—</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from capital debt	—	81,231	—	81,231	—
Purchases of capital assets	(90,205)	(20,768)	—	(110,973)	—
Proceeds from ownership adjustment in joint venture	—	278,529	—	278,529	—
Purchase of additional investment in joint venture	—	(213,238)	—	(213,238)	—
Principal paid on capital debt	(124,000)	(61,500)	(260,000)	(445,500)	—
Interest paid on capital debt	(65,628)	—	(17,288)	(82,916)	—
<b>NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(279,833)</u>	<u>64,254</u>	<u>(277,288)</u>	<u>(492,867)</u>	<u>—</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from sale of property	—	—	118,421	118,421	—
Purchase of property held for sale	—	—	(90,116)	(90,116)	—
Issuance of loans receivable	—	—	(36,400)	(36,400)	—
Payments on loans receivable	—	—	118,452	118,452	—
Interest and dividends received	34,030	46,361	3,723	84,114	10,102
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>34,030</u>	<u>46,361</u>	<u>114,080</u>	<u>194,471</u>	<u>10,102</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>224,589</u>	<u>611,469</u>	<u>3,460</u>	<u>839,518</u>	<u>57,695</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>537,584</u>	<u>391,492</u>	<u>200,422</u>	<u>1,129,498</u>	<u>453,027</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 762,173</u>	<u>\$ 1,002,961</u>	<u>\$ 203,882</u>	<u>\$ 1,969,016</u>	<u>\$ 510,722</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF SOUTH SALT LAKE**

**STATEMENT OF CASH FLOWS (CONTINUED)**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Fund</u>
	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Housing Fund</u>	<u>Total</u>	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 110,587	\$ 83,823	\$ 72	\$ 194,482	\$ 48,063
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	402,506	102,104	16,959	521,569	-
Amortization of investment in joint venture	-	311,169	-	311,169	-
(Increase) decrease in accounts receivable	25,851	(9,201)	(8,226)	8,424	-
Decrease in due from other governments	-	-	8,057	8,057	-
Increase (decrease) in accounts payable and accrued liabilities	(70,753)	12,959	(3,469)	(61,263)	(470)
(Decrease) in due to other funds	-	-	(118,657)	(118,657)	-
Increase in customer deposits	2,201	-	-	2,201	-
TOTAL ADJUSTMENTS	359,805	417,031	(105,336)	671,500	(470)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 470,392	\$ 500,854	\$ (105,264)	\$ 865,982	\$ 47,593

The notes to the financial statements are an integral part of this statement.

**NOTES TO FINANCIAL STATEMENTS**

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**CITY OF SOUTH SALT LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of South Salt Lake is a municipal corporation governed by an elected mayor and a seven member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the government. The City of South Salt Lake has no discretely presented component units and is itself not a component unit of any other entity. Each blended component unit has a June 30 year end.

*Blended Component Units*

The Redevelopment Agency was created by the City during fiscal year 1982. The Agency uses tax increment financing to support redevelopment projects within the City. The Agency is governed by the City's Mayor and City Council. Because the Agency's governing body is the same as the City's the financial data is included in the reporting entity using the blended method.

The Municipal Building Authority was created by the City during fiscal year 1996. The Authority used the proceeds of tax exempt bonds to acquire capital assets for the City. The bonds are secured by a lease agreement with the City and will be retired through lease payments from the City. The Municipal Building Authority's fund structure is comprised of a debt service fund, general fixed asset account group, and a general long-term debt account group. The Authority is governed by the City Council. Because the Authority's governing body is substantially the same as the City's the financial data is included in the reporting entity using the blended method.

Complete financial statements for each of the individual component units may be obtained at the City's administrative offices.

City of South Salt Lake  
220 East Morris Avenue  
Salt Lake City, UT 84115

*Joint Ventures*

During 1978, the City entered into a joint venture with six other entities with an inter-local agreement to create the Central Valley Water Reclamation Facility, which provides waste water treatment for all seven sanitation entities. The Central Valley facility went on line on February 23, 1988. The original cost of the project was \$131,168,137, of which 59% or \$78,031,036 was paid by the participating entities. The City's portion of the cost was 5.6% or \$4,498,316. During 1994, the City increased its equity in Central Valley by \$558,828. During 2004, the City increased its equity in Central Valley by \$993,821. During 2005, the City decreased its equity in Central Valley by \$278,529. The City's interest in the original facility, new expansion, facility enhancements, and digesters was 6.12%, 2.5074%, 5.098% and 1.378%, respectively, at June 30, 2005. The seven member entities contribute amounts to Central Valley on an annual basis to fund capital enhancements based on their ownership percentage and capital expansion based on the growth in their plant usage.



## CITY OF SOUTH SALT LAKE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Reporting Entity (continued)**

During the current year the City contributed \$213,238 for capital enhancements. The amount of equity interest in Central Valley Water Reclamation Facility at June 30, 2005 is \$5,968,545 and is recorded in the Sewer Fund. Costs associated with the joint venture for the year ended June 30, 2005 were \$932,920, which includes \$311,169 amortization of the City's investment in Central Valley.

Amounts reported on the financial statements as investments in Central Valley reflect both the amounts paid by the City and the City's pro rata share of capital grants made by the federal government. The City's pro rata share of capital grants made by the federal government, net of amortization at June 30, 2005, is \$1,972,133.

The Central Valley operating and maintenance costs are paid by the seven member entities based on their usage of the treatment plant. All costs are passed through to the member entities. The City's portion of Central Valley's operating costs and the related percentage of plant usage for the last three years are as follows:

<u>Year</u>	<u>Operating Costs</u>	<u>Percentage of Plant</u>
2005	\$ 621,751	5.46%
2004	\$ 573,100	5.19%
2003	\$ 561,959	5.29%

A copy of the Central Valley Water Reclamation Facility audited financial statements may be obtained by writing to the Central Valley Water Reclamation Facility at 800 West Central Valley Road, Salt Lake City, UT 84119-3379.

##### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applications that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF SOUTH SALT LAKE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, energy sales and use taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the resources required for major capital improvements of the City.

The *redevelopment agency* accounts for revenues derived from specific taxes which are designated to finance particular functions of the City.

The government reports the following major proprietary funds:

The *water utility fund* accounts for the activities of the water distribution system of the City.

The *sewer utility fund* accounts for the activities of the joint venture described in Note 1.A., the sewage pumping stations and collection system.

The *housing fund* accounts for the resources used to provide housing assistance to qualifying persons within the City.

Additionally, the government reports the following fund types:

*Internal service funds* account for insurance provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

## CITY OF SOUTH SALT LAKE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility enterprise fund, of the Sewer Utility enterprise fund, and of the City's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

##### **D. Reconciliation of Government-wide and Fund Financial Statements**

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expense/expenditures reported on the fund financial statements and the government-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the entity-wide financial statements. As a result there must be a reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements.

## CITY OF SOUTH SALT LAKE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **E. Budgetary Procedures and Budgetary Accounting**

Budgetary procedures for the City have been established by the Uniform Fiscal Procedures Act adopted by the State of Utah, which requires the legal adoption of a budget for all funds. Furthermore, in accordance with state law, all appropriations, except capital projects fund appropriations, lapse at the end of the budget year; accordingly, no encumbrances are recorded. The basis of accounting applied to each fund budget is the same basis as the related fund's financial statements. The following are the legal procedures followed by the City:

- 1) On or before the first regularly scheduled meeting of the City Council in May, the City's Mayor, authorized under state statute to be appointed budget officer, submits a proposed operating budget for governmental fund types for which budgetary control is required by Utah State statute (i.e., General Fund, Capital Projects Funds, Debt Service Funds, and Special Revenue Funds), and an operating and capital budget for all proprietary fund types for the subsequent fiscal year. The budget documents include the proposed budget amounts requested by the department heads, along with the proposed budget amounts requested by the Mayor.
- 2) A public hearing is held to receive input on all aspects of the proposed budget. The hearing is preceded by a notice in the local newspaper. The notice is given at least seven days before the hearing and includes the time, date, and place of the hearing. All budget documents are required to be available for public inspection ten days prior to the public hearing.
- 3) On or before June 22, a final balanced budget must be adopted for the subsequent fiscal year beginning July 1.
- 4) The legal budgetary control is maintained at the departmental level. The Mayor, however, acting as budget officer, has the budget authority to transfer budget appropriations between individual line items within any department of any budgetary fund.
- 5) The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- 6) A public hearing, as required in (2) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- 7) Monthly interim financial reports are prepared by the Finance Director and presented to the City Council. These reports contain a budgetary statement showing a comparison of budget to actual for all budgetary funds of the City. Special budgetary reports, using an operating and capital expenditure concept, are prepared for proprietary funds.

The budgets presented for the General Fund, Capital Projects Funds and Redevelopment Agency are designated as revised budgets. Throughout the year, the City Council approves all expenditures and makes amendments to the City's budget. Near year end, the City Council makes final amendments to the budget.

The budget passed for the Capital Projects Funds is an annual budget, based on estimates of annual expenditures. This budget is not based on project length for long-term capital projects.

## CITY OF SOUTH SALT LAKE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **E. Budgetary Procedures and Budgetary Accounting (continued)**

No budget is presented in these financial statements for the Proprietary Funds. State law allows the City Council to amend the Proprietary Funds budget without public hearing or public notice. Additional budgetary appropriations were necessary during the year ended June 30, 2005 for the Water Utility and Sewer Utility Funds.

##### **F. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the water utility, sewer utility, and housing funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

##### **G. Interfund Transactions**

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for short-term interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Loans are reported as receivables and payables and are classified as "due from other funds" or "due to other funds" on the balance sheet of the governmental fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation between the governmental fund statements and the government-wide columnar presentation.

##### **H. Restricted Cash and Cash Equivalents**

Certain resources set aside for bond repayment, are classified as restricted cash and cash equivalents on the balance sheet because their use is limited by applicable bond covenants. Other cash and cash equivalents accounts are restricted by state law or collateral requirements.

##### **I. Capital Assets**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In the government-wide financial statements and in the fund financial statements for proprietary funds, fixed assets are treated as capital assets. Capital assets include property, plant, equipment and infrastructure assets, e.g., roads, sidewalks, and similar items. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in

**CITY OF SOUTH SALT LAKE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Capital Assets (continued)**

excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to June 30, 1994) have been valued at historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current fiscal year.

Property, plant and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Outfall Lines	60
Sewage Collection	60
Water Storage Towers	50
Water Distribution Mains	50
Pump houses	25 to 40
Pumping Stations	33
Wells and reservoirs	10 to 25
Meters & Hydrants	10
Buildings	15
Office Equipment	5 to 10
Machinery and Equipment	5 to 20
Vehicles	7
Infrastructure	10 to 50

**J. Fund Equity**

In the fund financial statements, government funds report designations of fund balance for amounts that are not available for appropriation and reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose.

**K. Compensated Absences**

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements. Sick pay amounts are charged as wages when used.

**CITY OF SOUTH SALT LAKE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Compensated Absences (continued)**

Employees can carry-over up to twenty-one days of unused vacation each year. The vacation year ends on March 31. Employees may carry-over up to twelve days of unused sick leave each year with the remaining time converted to cash at 10-50% of the hourly rate. When employees terminate, they are paid for accumulated vacation and one-half their normal rate for accumulated sick leave, if certain criteria are met.

**L. Bond Discounts/Issuance Costs**

In the government-wide and proprietary fund financial statements, costs of issuing bonds are capitalized and amortized on a straight-line basis over the life of the bonds. During the fiscal year ended June 30, 2005 the amortization expense related to deferred bond financing costs amounted to \$2,432.

**M. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**N. Taxes and Other Significant Revenue**

*Property and Other Taxes*

Property tax is assessed, levied, and collected by the county governments in the state of Utah. The City Council is authorized by state statute (10-6-133) to levy up to a tax rate of .007 of the market value against all real and personal property located within its boundaries. Property taxes become a lien on January 1 and are levied on the first Monday of August. Taxes are due and payable on November 1 and delinquent after November 30 of each year. Taxes on an individual piece of property may be delinquent up to five years before the property is sold for delinquent taxes.

Under state statute, the County Treasurer, acting as a tax collector, must settle and disburse all current tax collections to all taxing units by the end of March following the taxing year. Delinquent taxes are collected throughout the year and disbursed to the taxing units on a routine basis.

Property tax revenues are recognized when they become available. Available includes those property taxes collected from the taxpayers by the County Treasurer by June 30 of each year. Amounts that are measurable but not available are recorded as deferred revenue. An accrual was made for property taxes receivable and an offsetting deferred revenue in the amount of \$1,839,740 at June 30, 2005. Property taxes become an enforceable lien on January 1 but are not due until November 30.

Transient room tax and the municipal telecommunications tax are collected by the State Tax Commission and remitted to the City monthly. Energy sales and use taxes are collected and remitted to the City by the electric and natural gas companies monthly, and the cable television company semiannually.

**CITY OF SOUTH SALT LAKE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Taxes and Other Significant Revenue (continued)**

*Sales Taxes*

In accordance with the Local Sales and Use Tax Act (title 59, Chapter 12, Part 2, Utah Code Annotated 1953, as amended), the City presently levies a local sales and use tax of 1.00% on all taxable sales of goods and services. The local sales and use tax is collected by the Utah State Tax Commission and distributed monthly to the City and all other counties and municipalities in Utah.

The distributions are based on a formula, which since 1983 has provided that; 1) 50% of each dollar of sales tax collections will be distributed on the basis of the population of the local government and, 2) 50% of each dollar of sales tax collections will be distributed on the basis on the point of sale. The distributions under this formula are subject to the provision that any local government that imposes a sales and use tax at the rate of 1.00% will receive a distribution of not less than 0.75% of the taxable sales within its boundaries. Because the City has a relatively high amount of taxable sales within its boundaries, in proportion, the distributions of local sales and use taxes to the City are presently based on 0.75% of the taxable sales within its boundaries.

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$5,553,998 difference are as follows:

Bonds payable	\$ 5,117,000
Accrued interest payable	75,863
Compensated absences	<u>361,135</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 5,553,998</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$1,645,789 difference are as follows:



**CITY OF SOUTH SALT LAKE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)**

Capital outlay	\$3,101,992
Depreciation expense	<u>(1,456,203)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$1,645,789</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds". The details of this \$24,979 difference are as follows:

Compensated absences	\$ 15,391
Accrued interest	<u>9,588</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 24,979</u>

**3. RESTATEMENT OF NET ASSETS/FUND EQUITY**

***Prior Period Adjustments***

The City recognized a receivable for property taxes levied on January 1<sup>st</sup> in the general fund at June 30, 2005. Because the cash was not available to finance expenditures of the current fiscal period, the receivable was offset by a corresponding liability for unavailable revenue in the governmental funds.

In the government-wide financial statements, which are reported under the accrual basis of accounting, the amount of the receivable at June 30, 2005 should be recognized as revenue. In prior years, this accrual was not recognized as revenue in the government-wide statement of activities. As a result, a prior period adjustment is necessary to recognize property tax revenue from the prior year.

The City's payroll is paid in bi-weekly pay periods. In prior years, the City recognized payroll expenses on a cash basis. An accrual for payroll expenses incurred as of year end should be made each year. A prior period adjustment is necessary to accrue payroll from the prior year in the governmental and business-type activities in the government-wide financial statements and in the general and water utility fund financial statements.

During the current year, the City identified an error in the calculation of prior year depreciation expense in the water utility fund. As a result of the error, accumulated depreciation at the beginning of the current year is understated. A prior period adjustment is necessary to adjust the accumulated depreciation to actual in the business-type activities of the government-wide financial statements and in the water utility fund financial statements.

**CITY OF SOUTH SALT LAKE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. RESTATEMENT OF NET ASSETS/FUND EQUITY (CONTINUED)**

	<u>Government-Wide Financial Statements</u>		<u>Water Utility Fund</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
NET ASSETS – BEGINNING	\$ 40,520,569	\$ 16,714,076	\$6,769,413
Adjustment to deferred revenue	1,839,744	–	–
Adjustment to accrued payroll	(400,364)	(22,435)	(22,435)
Adjustment to accumulated depreciation	–	(129,806)	(129,806)
NET ASSETS – BEGINNING (AS RESTATED)	<u>\$ 41,959,949</u>	<u>\$ 16,561,835</u>	<u>\$6,617,172</u>

	<u>General Fund</u>
FUND BALANCE – BEGINNING	\$ 2,965,552
Adjustment to accrued payroll	<u>(400,364)</u>
FUND BALANCE – BEGINNING (AS RESTATED)	<u>\$ 2,565,188</u>

**4. DEPOSITS AND INVESTMENTS**

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**a. Deposits**

	<u>Bank Balances</u>	<u>Book Balances</u>
Cash on hand	\$ –	\$ 6,022
Cash on deposit	830,439	519,501
Cash on deposit – restricted	<u>203,882</u>	<u>203,882</u>
TOTAL	<u>\$1,034,321</u>	<u>\$ 729,405</u>

**CITY OF SOUTH SALT LAKE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**4. DEPOSITS AND INVESTMENTS (CONTINUED)**

***Custodial Credit Risk:*** Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, \$834,321 of the City's bank balances of \$1,034,321 were uninsured and uncollateralized.

**b. Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury, including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "a" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the State of Utah Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses-net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2005, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
State of Utah Public Treasurer's Investment Fund	\$12,735,356	\$12,735,356	\$ -	\$ -	\$ -

**CITY OF SOUTH SALT LAKE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**4. CASH AND INVESTMENTS (CONTINUED)**

***Interest Rate Risk:*** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

***Credit Risk:*** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed. As of June 30, 2005, the City's investments in the State of Utah Public Treasurer's Investment Fund were unrated.

***Concentration of Credit Risk:*** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing the risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5%-10% depending upon total dollar amount held in the portfolio.

***Custodial Credit Risk:*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

**CITY OF SOUTH SALT LAKE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital assets not being depreciated:				
Land	\$ 3,830,810	\$ 43,200	\$ —	\$ 3,874,010
Construction in progress	<u>1,155,242</u>	<u>25,170</u>	<u>(1,155,242)</u>	<u>25,170</u>
Total capital assets not being depreciated	<u>4,986,052</u>	<u>68,370</u>	<u>(1,155,242)</u>	<u>3,899,180</u>
Capital assets being depreciated:				
Buildings	16,734,840	89,552	—	16,824,392
Improvements other than buildings	1,800,651	291,458	—	2,092,109
Machinery and equipment	8,178,357	377,406	(526,974)	8,028,789
Infrastructure	<u>12,288,182</u>	<u>3,430,448</u>	<u>—</u>	<u>15,718,630</u>
Total capital assets being depreciated	<u>39,002,030</u>	<u>4,188,864</u>	<u>(526,974)</u>	<u>42,663,920</u>
Less accumulated depreciation for:				
Buildings	(2,474,419)	(420,926)	—	(2,895,345)
Improvements other than buildings	(372,862)	(37,568)	—	(410,430)
Machinery and equipment	(4,555,558)	(629,456)	469,657	(4,715,357)
Infrastructure	<u>(1,919,823)</u>	<u>(368,253)</u>	<u>—</u>	<u>(2,288,076)</u>
Total accumulated depreciation	<u>(9,322,662)</u>	<u>(1,456,203)</u>	<u>469,657</u>	<u>(10,309,208)</u>
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET</b>	<u>29,679,368</u>	<u>2,732,661</u>	<u>(57,317)</u>	<u>32,354,712</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$34,665,420</u>	<u>\$ 2,801,031</u>	<u>\$(1,212,559)</u>	<u>\$36,253,892</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital assets not being depreciated:				
Land	\$ 762,560	\$ —	\$ —	\$ 762,560
Total capital assets not being depreciated	<u>762,560</u>	<u>—</u>	<u>—</u>	<u>762,560</u>
Capital assets being depreciated:				
Buildings	2,426,994	—	—	2,426,994
Improvements other than buildings	13,120,423	47,107	—	13,167,530
Machinery and equipment	<u>1,464,903</u>	<u>63,866</u>	<u>(12,312)</u>	<u>1,516,457</u>
Total capital assets being depreciated	<u>17,012,320</u>	<u>110,973</u>	<u>(12,312)</u>	<u>17,110,981</u>
Less accumulated depreciation for:				
Buildings	(363,834)	(53,332)	—	(417,166)
Improvements other than buildings	(4,120,063)	(335,675)	—	(4,455,738)
Machinery and equipment	<u>(699,420)</u>	<u>(132,562)</u>	<u>12,312</u>	<u>(819,670)</u>
Total accumulated depreciation	<u>(5,183,317)</u>	<u>(521,569)</u>	<u>12,312</u>	<u>(5,692,574)</u>

**CITY OF SOUTH SALT LAKE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**5. CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>\$11,829,003</u>	<u>\$(410,596)</u>	<u>\$ —</u>	<u>\$11,418,407</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$12,591,563</u>	<u>\$(410,596)</u>	<u>\$ —</u>	<u>\$12,180,967</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

**GOVERNMENTAL ACTIVITIES:**

General government	\$ 325,085
Public safety	574,814
Highway and public improvements	516,260
Parks and recreation	<u>40,044</u>

TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES 1,456,203

**BUSINESS-TYPE ACTIVITIES:**

Water	402,506
Sewer	102,104
Housing	<u>16,959</u>

TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES 521,569

TOTAL DEPRECIATION EXPENSE \$ 1,977,772

**6. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2005, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund notes receivable/payable:		
Capital projects	Redevelopment agency	\$ 1,757,609
	Nonmajor governmental funds	<u>11,109</u>
TOTAL		<u>\$ 1,768,718</u>
Due from/to other funds:		
Capital projects	Housing fund	\$ 142,632
	Nonmajor governmental fund	<u>104</u>
TOTAL		<u>\$ 142,736</u>

The interfund payable balance in the Redevelopment Agency reflects the amount due to the capital projects fund for loans made in 1992, 1993, and 1994. The original 1992 loan, which comprises the majority of the total loan amount, was made to finance major housing rehabilitation projects in the Park Creek and Southbrook areas of the City. Debt service on the loan is made with tax increment proceeds received annually by the Redevelopment Agency.

**CITY OF SOUTH SALT LAKE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**7. COMMITMENTS**

Central Valley Water Reclamation Facility - the City has committed with six other entities to fund future capital projects of the Central Valley Water Reclamation Facility.

**8. LONG-TERM DEBT**

***Revenue Bonds***

The government issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years was \$6,510,000 for governmental activities and \$4,230,000 for business-type activities. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Special improvement district capital improvements - Special Revenue Funds	5.35 - 5.50%	\$ 107,000
Water system improvements - Water Utility Fund	2.40%	2,636,000
Columbus school and city hall sales tax revenue and refund bonds - Debt Service Fund	4.00 - 4.85%	5,010,000
Waste water treatment - Sewer Utility Fund	0.00%	<u>1,045,500</u>
<b>TOTAL</b>		<b><u>\$ 8,798,500</u></b>

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2006	\$ 657,500	\$ 279,952
2007	697,500	256,951
2008	722,500	232,651
2009	708,500	207,018
2010	731,500	181,752
2011-2015	2,579,500	622,429
2016-2020	2,210,500	167,595
2021-2025	<u>491,000</u>	<u>13,296</u>
<b>TOTAL</b>	<b><u>\$ 8,798,500</u></b>	<b><u>\$ 1,961,644</u></b>

***Notes Payable***

The City borrowed \$800,000 under a note payable to Fannie Mae during the prior year. Notes payable outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Multi-family housing units - Housing Fund	LIBOR + 1.2%	<u>\$ 540,000</u>
		<b><u>\$ 540,000</u></b>

**CITY OF SOUTH SALT LAKE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**8. LONG-TERM DEBT (CONTINUED)**

***Notes Payable (continued)***

Notes payable debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2006	160,000	17,877
2007	160,000	10,350
2008	160,000	2,822
2009	<u>60,000</u>	<u>—</u>
<b>TOTAL</b>	<b><u>\$ 540,000</u></b>	<b><u>\$ 31,049</u></b>

***Loans Payable***

During the year ended June 30, 2005, Central Valley Water Reclamation Facility obtained a loan from the State of Utah in an amount up to \$35,000,000. The City's portion of the loan will not exceed \$321,874. As of June 30, 2005, Central Valley had drawn down approximately \$24,327,000 on the loan. Loans payable outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Central Valley expansion – Sewer Utility Fund	3.00%	<u>\$ 81,231</u>
		<u>\$ 81,231</u>

Loans payable debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2006	\$ 20,856	\$ 2,437
2007	20,856	1,811
2008	20,856	1,186
2009	<u>18,663</u>	<u>560</u>
<b>TOTAL</b>	<b><u>\$ 81,231</u></b>	<b><u>\$ 5,994</u></b>

***Changes in Long-Term Liabilities***

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>GOVERNMENTAL ACTIVITIES:</b>					
Bonds Payable:					
1999 special improvement bonds	\$ 139,000	\$ —	\$ (32,000)	\$ 107,000	\$ 34,000
2001 sales tax revenue and refunding bonds	<u>5,425,000</u>	<u>—</u>	<u>(415,000)</u>	<u>5,010,000</u>	<u>435,000</u>
<b>TOTAL BONDS PAYABLE</b>	<b>5,564,000</b>	<b>—</b>	<b>(447,000)</b>	<b>5,117,000</b>	<b>469,000</b>
Capital leases	<u>97,552</u>	<u>—</u>	<u>(97,552)</u>	<u>—</u>	<u>—</u>



**CITY OF SOUTH SALT LAKE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**8. LONG-TERM DEBT (CONTINUED)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 5,661,552</u>	<u>\$ —</u>	<u>\$ (544,552)</u>	<u>\$ 5,117,000</u>	<u>\$ 469,000</u>
BUSINESS-TYPE ACTIVITIES:					
Revenue Bonds Payable:					
2001 Taxable Water Revenue Bonds	\$ 2,760,000	\$ —	\$ (124,000)	\$ 2,636,000	\$ 127,000
2002 Taxable Sewer Revenue Bonds	<u>1,107,000</u>	<u>—</u>	<u>(61,500)</u>	<u>1,045,500</u>	<u>61,500</u>
TOTAL BONDS PAYABLE	3,867,000	—	(185,500)	3,681,500	188,500
Notes payable	800,000	—	(260,000)	540,000	160,000
Loans payable	<u>—</u>	<u>81,231</u>	<u>—</u>	<u>81,231</u>	<u>20,856</u>
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	<u>\$ 4,667,000</u>	<u>\$ 81,231</u>	<u>\$ (445,500)</u>	<u>\$ 4,302,731</u>	<u>\$ 369,356</u>

**9. CAPITAL LEASES**

The government entered into a lease agreement as lessee for financing the acquisition of a fire truck. This lease agreement qualified as a capital lease for accounting purposes and, therefore, was recorded at the present value of its future minimum lease payments as of the inception date. During the year ended June 30, 2005, the City made its final payment under the lease agreement.

**10. PENSION SYSTEMS**

The City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with Social Security coverage, Firefighters Retirement System that are for employers with Social Security coverage cost-sharing multiple employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, and Public Safety Noncontributory Retirement System for employers with Social Security coverage, and Firefighters Retirement System, which are for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling (800) 365-8772.

## CITY OF SOUTH SALT LAKE

### NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

#### **10. PENSION SYSTEMS (CONTINUED)**

In the Local Governmental Noncontributory Retirement System, the City is required to contribute 11.09% of their annual covered salary. In the Public Safety Noncontributory Retirement System for employers with Social Security coverage, the City is required to contribute 19.08% of their annual covered salary.

The City ceased participation in the Public Safety Contributory System at June 30, 1995. In the Firefighters Retirement System for employers with Social Security coverage plan members are required to contribute 8.61% of their annual covered salary (all or part may be paid by the employer for the employee) and the City is required to contribute 0.00% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions to the Noncontributory Retirement System for June 30, 2005, 2004, and 2003 were \$329,703, \$298,156, and \$272,871, respectively; covered salaries for the same period were \$2,972,988, \$3,099,408, and \$3,140,052, respectively. The Public Safety Noncontributory Retirement System contributions for June 30, 2005, 2004, and 2003 were \$450,933, \$390,678, and \$341,387 respectively; covered salaries for the same period were \$2,363,390, \$2,405,655, and \$2,457,802 respectively. The Firefighters Retirement System contributions for June 30, 2005, 2004, and 2003 were \$155,307, \$148,037, and \$138,805 respectively; covered salaries for the same period were \$1,803,807, \$1,803,138, and \$1,774,999 respectively. The City's contributions were equal to the required contributions for each year.

Employees of the City may also participate in a 401(k) Defined Contribution Plan. The City's contributions to the Plan for June 30, 2005, 2004 and 2003 were \$214,759, \$432,406, and \$383,455 respectively. Employee contributions to the 401(k) plan for June 30, 2005, 2004, and 2003, were \$174,071, \$170,538, and \$174,173 respectively.

Full-time employees of the City are eligible to participate in the retirement systems based on their position. Benefits fully vest on reaching four years of service in each of the systems.

#### **11. DEFERRED COMPENSATION 457 PLAN**

The Utah Retirement Systems have adopted Governmental Accounting Standards Board Statement 32 (GASB No. 32), *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This resulted in reporting the 457 Plans as a "Trust Fund" rather than as an "Agency Fund". Currently all of the assets and income of the 457 Plan are held in trust by the Utah Retirement Systems for the exclusive benefit of the participants or their beneficiaries rather than as assets of the City and are no longer reported as such.

#### **12. RISK MANAGEMENT**

The City of South Salt Lake, as a provider of municipal services, is exposed to a number of risks. Among these are; police enforcement liability, auto liability, road maintenance exposure, public official's errors and omissions, and property losses. The City has determined that the inherent risk of providing services necessitates implementing risk management policies and purchasing commercial liability insurance. This combination has resulted in fewer claims against the City and sufficient protection when claims occur.

**CITY OF SOUTH SALT LAKE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**12. RISK MANAGEMENT (CONTINUED)**

There has not been any reduction in insurance coverage in the past year for any insurance category. The amount of settlements for any of the past three years have not exceeded coverage amounts.

The City of South Salt Lake contracts with commercial insurance coverage for general liability, auto liability, law enforcement liability and public official's errors and omissions type risks. The City maintains an Insurance Reserve Fund to fund deductibles and small equipment losses. As a result, the City does not have any outstanding insurance liabilities from year to year. However, the City does have annual expenses, which change.

For the year ended June 30, 2005, the Insurance Reserve Fund paid \$416,287 in expenses. Current expenses include insurance deductible for insurance coverage and claims on uninsured property such as police and other City vehicles and small trucks, legal fees and insurance premiums.

**13. REDEVELOPMENT AGENCY**

In accordance with Utah Code Section 17A-2-1217(3), the City's Redevelopment Agency is required to disclose the following information for fiscal year 2005:

A. The tax increment collected by the Agency for each project area is as follows:

<u>Project Area</u>	<u>2005</u>
Burton Place	\$ 51,080
Edison Street	25,985
Park Creek	42,062
Southbrook	44,737
South State Street	37,500
Madison School	93,769
Post Office Place	60,000
Third West	225,711
Metro - Center	37,348
2100 South	<u>142,414</u>
<b>TOTAL</b>	<b><u>\$ 760,606</u></b>

B. There were no amounts of tax increment paid to any taxing agency during the year.

C. The outstanding principal amount of bonds issued or other loans incurred to finance the costs associated with project areas is as follows:

<u>Project Area</u>	<u>2005</u>
Interfund Notes Payable	<b><u>\$ 1,757,609</u></b>

**CITY OF SOUTH SALT LAKE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**13. REDEVELOPMENT AGENCY (CONTINUED)**

D. The actual amount expended for:

<u>Project Area</u>	<u>2005</u>
Interest on interfund note payable	\$ 24,538
Administrative costs of the Agency	50,741
Tax increment distributions under contracts:	
2100 South	137,414
Madison School	38,474
Third West	<u>204,579</u>
	<u>\$ 455,746</u>

**14. CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of most of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

**15. SUBSEQUENT EVENTS**

Subsequent to June 30, 2005, the City entered into a contract for construction of park facilities for approximately \$228,000.

Subsequent to June 30, 2005, the City sold property held for sale in the housing fund to a developer by trust deed notes in the amount of \$150,000. The notes bear interest at 6% and are due when the developer sells the property, not later than August 4, 2006.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF SOUTH SALT LAKE**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES:				
Taxes	\$12,459,170	\$12,645,670	\$ 11,639,269	\$(1,006,401)
Licenses and permits	678,500	703,500	710,514	7,014
Intergovernmental	1,268,900	1,870,610	1,844,840	(25,770)
Charges for services	158,375	170,375	210,975	40,600
Fines and forfeitures	1,518,000	1,538,000	1,711,352	173,352
Investment earnings	50,000	99,000	139,093	40,093
Miscellaneous revenues	<u>305,000</u>	<u>314,000</u>	<u>310,064</u>	<u>(3,936)</u>
TOTAL REVENUES	<u>16,437,945</u>	<u>17,341,155</u>	<u>16,566,107</u>	<u>(775,048)</u>
EXPENDITURES:				
Current:				
General government:				
Administration	1,052,450	1,073,450	960,979	112,471
City council	202,400	204,400	170,966	33,434
Municipal court	691,750	697,750	652,246	45,504
City attorney	508,204	507,204	461,134	46,070
City hall building	367,781	380,781	367,306	13,475
Civic center	134,693	144,693	135,018	9,675
Public safety:				
Police protection	5,132,286	5,174,046	5,093,105	80,941
Dispatching	349,200	354,200	353,976	224
Animal control	184,175	201,175	172,457	28,718
Fire protection	3,410,022	3,498,022	3,416,081	81,941
Highways and public improvements:				
Streets and highways	2,705,764	3,337,564	3,187,418	150,146
Waste collection and disposal	192,828	192,828	188,172	4,656
Building and planning services	775,055	771,705	690,584	81,121
Engineering	112,644	114,644	100,161	14,483
Parks and recreation:				
Parks	259,450	286,450	269,318	17,132
Community events	134,711	134,711	133,002	1,709
Recreation	<u>244,532</u>	<u>287,532</u>	<u>279,497</u>	<u>8,035</u>
TOTAL EXPENDITURES	<u>16,457,945</u>	<u>17,361,155</u>	<u>16,631,420</u>	<u>729,735</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(20,000)</u>	<u>(20,000)</u>	<u>(65,313)</u>	<u>(45,313)</u>
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	<u>20,000</u>	<u>20,000</u>	<u>57,378</u>	<u>37,378</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,000</u>	<u>20,000</u>	<u>57,378</u>	<u>37,378</u>
NET CHANGE IN FUND BALANCES	-	-	(7,935)	(7,935)
FUND BALANCES - BEGINNING (AS RESTATED)	<u>2,565,188</u>	<u>2,565,188</u>	<u>2,565,188</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,565,188</u>	<u>\$ 2,565,188</u>	<u>\$ 2,557,253</u>	<u>\$ (7,935)</u>



**CITY OF SOUTH SALT LAKE**

**REDEVELOPMENT AGENCY**

**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 807,000	\$ 807,000	\$ 760,606	\$ (46,394)
TOTAL REVENUES	807,000	807,000	760,606	(46,394)
EXPENDITURES:				
Current:				
General government	85,000	85,000	50,741	34,259
Highways and public improvements	325,000	325,000	—	325,000
Redevelopment	425,000	425,000	380,467	44,533
Debt service:				
Principal on interfund loan	647,462	647,462	—	647,462
Interest and fiscal charges	24,538	24,538	24,538	—
TOTAL EXPENDITURES	1,507,000	1,507,000	455,746	1,051,254
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(700,000)	(700,000)	304,860	1,004,860
OTHER FINANCING SOURCES (USES):				
Proceeds from land sale	400,000	400,000	—	(400,000)
TOTAL OTHER FINANCING SOURCES (USES)	400,000	400,000	—	(400,000)
NET CHANGE IN FUND BALANCES	(300,000)	(300,000)	304,860	604,860
FUND BALANCES - BEGINNING OF YEAR	(224,424)	(224,424)	(224,424)	—
FUND BALANCES - END OF YEAR	\$ (524,424)	\$ (524,424)	\$ 80,436	\$ 604,860

**OTHER SUPPLEMENTARY INFORMATION**

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CITY OF SOUTH SALT LAKE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2005

	Special Revenue Fund	Debt Service Funds		Total Nonmajor Governmental Funds
	Special Assessment Fund	Fire Truck Debt Service	Sales Tax Debt Service	
ASSETS:				
Cash and cash equivalents	\$ -	\$ 198	\$ 537,771	\$ 537,969
Accounts receivable (net)	122,858	-	-	122,858
Cash and cash equivalents - restricted	16,167	-	628,239	644,406
TOTAL ASSETS	<u>\$ 139,025</u>	<u>\$ 198</u>	<u>\$ 1,166,010</u>	<u>\$ 1,305,233</u>
LIABILITIES:				
Due to other funds	\$ 104	\$ -	\$ -	\$ 104
Interfund notes payable	11,109	-	-	11,109
Deferred revenue	121,571	-	-	121,571
TOTAL LIABILITIES	<u>132,784</u>	<u>-</u>	<u>-</u>	<u>132,784</u>
FUND BALANCES:				
Unreserved, reported in:				
Special revenue funds	6,241	-	-	6,241
Reserved for:				
Debt service	-	198	1,166,010	1,166,208
TOTAL FUND BALANCES	<u>6,241</u>	<u>198</u>	<u>1,166,010</u>	<u>1,172,449</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 139,025</u>	<u>\$ 198</u>	<u>\$ 1,166,010</u>	<u>\$ 1,305,233</u>

**CITY OF SOUTH SALT LAKE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	Special Revenue Fund	Debt Service Funds		Total Nonmajor Governmental Funds
	Special Assessment Fund	Fire Truck Debt Service	Sales Tax Debt Service	
REVENUES:				
Taxes	\$ -	\$ -	\$ 642,071	\$ 642,071
Charges for services	34,195	-	-	34,195
Investment earnings	10,476	-	14,810	25,286
TOTAL REVENUES	44,671	-	656,881	701,552
EXPENDITURES:				
Debt service:				
Principal retirement	32,000	97,552	415,000	544,552
Interest and fiscal charges	7,762	4,192	230,070	242,024
TOTAL EXPENDITURES	39,762	101,744	645,070	786,576
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,909	(101,744)	11,811	(85,024)
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	101,893	-	101,893
TOTAL OTHER FINANCING SOURCES (USES)	-	101,893	-	101,893
NET CHANGE IN FUND BALANCES	4,909	149	11,811	16,869
FUND BALANCES - BEGINNING	1,332	49	1,154,199	1,155,580
FUND BALANCES - ENDING	\$ 6,241	\$ 198	\$ 1,166,010	\$ 1,172,449

**CITY OF SOUTH SALT LAKE**

**SPECIAL ASSESSMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 47,000	\$ 47,000	\$ 34,195	\$(12,805)
Investment earnings	—	—	10,476	10,476
TOTAL REVENUES	<u>47,000</u>	<u>47,000</u>	<u>44,671</u>	<u>(2,329)</u>
EXPENDITURES:				
Debt Service:				
Principal on interfund loan	5,430	5,430	—	5,430
Principal retirement	32,000	32,000	32,000	—
Interest and fiscal charges	<u>9,570</u>	<u>9,570</u>	<u>7,762</u>	<u>1,808</u>
TOTAL EXPENDITURES	<u>47,000</u>	<u>47,000</u>	<u>39,762</u>	<u>7,238</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>—</u>	<u>—</u>	<u>4,909</u>	<u>4,909</u>
OTHER FINANCING SOURCES (USES):				
Transfer in (out)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
NET CHANGE IN FUND BALANCES	<u>—</u>	<u>—</u>	<u>4,909</u>	<u>4,909</u>
FUND BALANCES - BEGINNING OF YEAR	<u>1,332</u>	<u>1,332</u>	<u>1,332</u>	<u>—</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,332</u>	<u>\$ 1,332</u>	<u>\$ 6,241</u>	<u>\$ 4,909</u>

**CITY OF SOUTH SALT LAKE**

**FIRE TRUCK DEBT SERVICE**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ —	\$ —	\$ —	\$ —
EXPENDITURES:				
Debt Service:				
Principal retirement	97,552	97,552	97,552	—
Interest and fiscal charges	<u>4,341</u>	<u>4,341</u>	<u>4,192</u>	<u>149</u>
TOTAL EXPENDITURES	<u>101,893</u>	<u>101,893</u>	<u>101,744</u>	<u>149</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(101,893)</u>	<u>(101,893)</u>	<u>(101,744)</u>	<u>149</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>101,893</u>	<u>101,893</u>	<u>101,893</u>	<u>—</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>101,893</u>	<u>101,893</u>	<u>101,893</u>	<u>—</u>
NET CHANGE IN FUND BALANCES	—	—	149	149
FUND BALANCES – BEGINNING OF YEAR	<u>49</u>	<u>49</u>	<u>49</u>	<u>—</u>
FUND BALANCES – END OF YEAR	<u>\$ 49</u>	<u>\$ 49</u>	<u>\$ 198</u>	<u>\$ 149</u>

**CITY OF SOUTH SALT LAKE**

**SALES TAX DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 646,920	\$ 646,920	\$ 642,071	\$ (4,849)
Investment earnings	<u>10,000</u>	<u>10,000</u>	<u>14,810</u>	<u>4,810</u>
TOTAL REVENUES	<u>656,920</u>	<u>656,920</u>	<u>656,881</u>	<u>(39)</u>
EXPENDITURES:				
Debt Service:				
Principal retirement	415,000	415,000	415,000	—
Interest and fiscal charges	<u>230,220</u>	<u>230,220</u>	<u>230,070</u>	<u>150</u>
TOTAL EXPENDITURES	<u>645,220</u>	<u>645,220</u>	<u>645,070</u>	<u>150</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>11,700</u>	<u>11,700</u>	<u>11,811</u>	<u>111</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>(11,700)</u>	<u>(11,700)</u>	<u>—</u>	<u>11,700</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11,700)</u>	<u>(11,700)</u>	<u>—</u>	<u>11,700</u>
NET CHANGE IN FUND BALANCES	—	—	11,811	11,811
FUND BALANCES – BEGINNING OF YEAR	<u>1,154,199</u>	<u>1,154,199</u>	<u>1,154,199</u>	<u>—</u>
FUND BALANCES – END OF YEAR	<u>\$1,154,199</u>	<u>\$1,154,199</u>	<u>\$1,166,010</u>	<u>\$ 11,811</u>



**CITY OF SOUTH SALT LAKE**

**CAPITAL PROJECTS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 721,530	\$ 721,530	\$ 3,493,452	\$ 2,771,922
Intergovernmental	—	279,000	259,207	(19,793)
Charges for services	—	40,000	38,971	(1,029)
Investment earnings	—	69,652	120,543	50,891
TOTAL REVENUES	<u>721,530</u>	<u>1,110,182</u>	<u>3,912,173</u>	<u>2,801,991</u>
EXPENDITURES:				
Current:				
General government	166,030	181,030	150,880	30,150
Public safety	226,000	512,900	468,284	44,616
Highways and public improvements	413,607	860,994	660,758	200,236
Parks and recreation	40,000	293,000	330,737	(37,737)
TOTAL EXPENDITURES	<u>845,637</u>	<u>1,847,924</u>	<u>1,610,659</u>	<u>237,265</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(124,107)</u>	<u>(737,742)</u>	<u>2,301,514</u>	<u>3,039,256</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>(101,893)</u>	<u>(101,893)</u>	<u>(101,893)</u>	<u>—</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(101,893)</u>	<u>(101,893)</u>	<u>(101,893)</u>	<u>—</u>
NET CHANGE IN FUND BALANCES	(226,000)	(839,635)	2,199,621	3,039,256
FUND BALANCES - BEGINNING	<u>7,631,692</u>	<u>7,631,692</u>	<u>7,631,692</u>	<u>—</u>
FUND BALANCES - END OF YEAR	<u>\$ 7,405,692</u>	<u>\$ 6,792,057</u>	<u>\$ 9,831,313</u>	<u>\$ 3,039,256</u>

# **STATISTICAL SECTION**

**City of South Salt Lake**

Table 1

**City of South Salt Lake**  
**General Fund Expenditures and Other Uses by Function**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>General Government(a)</u>	<u>Public Safety(b)</u>	<u>Highways &amp; Public Improvements(c)</u>	<u>Parks &amp; Recreation</u>	<u>Transfers To Other Funds</u>	<u>Total</u>
1995-96	\$ 1,597,965	\$ 3,984,275	\$ 1,656,639	\$ 231,036	\$ 419,559	\$ 7,889,474
1996-97	1,702,646	4,494,138	1,752,640	235,211	431,500	8,616,135
1997-98	1,803,588	5,118,729	2,031,457	262,413	900,700	10,116,887
1998-99	2,197,139	6,754,578	2,546,033	309,346	280,500	12,087,596
1999-00	2,444,872	7,871,810	2,924,618	370,448	264,800	13,876,548
2000-01	2,752,857	8,740,292	2,589,010	507,772	280,200	14,870,131
2001-02	2,779,552	9,016,824	3,042,584	468,203	229,017	15,536,180
2002-03	2,793,838	8,916,282	3,333,600	624,415	-	15,668,135
2003-04	2,719,358	8,859,619	4,174,132	637,726	-	16,390,835
2004-05	2,747,649	9,035,619	4,166,335	681,817	-	16,631,420

(a) Includes: Administration, City Attorney, Court, City Council, Public Buildings

(b) Includes: Police Department, Fire Department, Dispatch, Animal Control

(c) Includes: Street Department, Refuse Collection, Engineering, Building & Planning

Source: South Salt Lake Finance Department

Table 2

**City of South Salt Lake**  
**Revenue by Source - General Fund**  
**Last Ten Fiscal Years**

Fiscal Year	Taxes	Licenses and Permits	Inter- Governmental	Fines & Forfeitures	Investment Earnings	Other	Total Revenue
1995-96	\$ 6,236,102	\$ 919,602	\$ 152,490	\$ 540,040	\$ 151,639	\$ 265,354	\$ 8,265,227
1996-97	6,248,599	789,245	353,600	839,438	239,765	447,388	8,918,035
1997-98	7,155,745	419,703	460,539	1,050,131	248,156	505,582	9,839,856
1998-99	9,023,862	643,106	627,339	1,634,233	101,811	412,720	12,443,071
1999-00	9,875,290	999,328	831,160	1,878,880	193,328	385,039	14,163,025
2000-01	11,509,321	747,849	431,588	1,832,200	163,403	396,268	15,080,629
2001-02	11,845,301	847,475	655,197	1,659,597	93,725	363,465	15,464,760
2002-03	11,676,683	780,009	871,032	1,411,165	87,551	595,108	15,421,548
2003-04	12,069,078	734,215	1,783,387	1,385,491	85,729	563,102	16,621,002
2004-05	11,639,269	710,514	1,844,840	1,711,352	139,093	521,039	16,566,107

Source: South Salt Lake Finance Department

Table 3

**City of South Salt Lake  
Tax Revenue by Source - General Fund  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>General Property Taxes(a)</u>	<u>Sales Taxes(c)</u>	<u>Energy Sales/Use Taxes</u>	<u>Total Tax Revenue</u>
1995-96	\$ 807,925	\$ 4,394,515	\$1,033,662	\$ 6,236,102
1996-97	986,104	4,175,793	1,086,702	6,248,599
1997-98	969,490	5,138,000	1,048,255	7,155,745
1998-99(b)	1,017,877	6,657,525	1,348,460	9,023,862
1999-00	1,756,080	6,629,736	1,489,474	9,875,290
2000-01	1,859,824	7,845,752	1,803,745	11,509,321
2001-02	2,072,496	7,863,981	1,908,824	11,845,301
2002-03	2,055,314	7,823,811	1,797,558	11,676,683
2003-04	2,068,884	7,998,407	2,001,787	12,069,078
2004-05	2,126,112	6,794,147	2,719,010	11,639,269

(a) Includes taxes on real property, personal property, motor vehicle fee in lieu of taxes, penalties and interest.

(b) In 1998 - 99, the City of South Salt Lake adopted a General Purposes Judgment Levy rate.

(c) Includes Transient Room tax.

Source: South Salt Lake Finance Department

Table 4

**City of South Salt Lake  
Total Sales Taxes  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total Sales Taxes</u>	<u>Change from Prior Year</u>
1995-96	\$ 7,482,182	4.84%
1996-97	8,021,422	7.21%
1997-98	7,690,283	-4.13%
1998-99(a)	9,241,756	20.17%
1999-00	10,835,974	17.25%
2000-01(b)	11,849,108	9.35%
2001-02	10,233,142	-13.64%
2002-03	9,808,032	-4.15%
2003-04	9,881,928	0.75%
2004-05	10,904,195	10.34%

(a) In 1998-99 the City increased Sales Tax receipts due to annexation.

(b) In 2000-01 the City accrued one extra month Sales Tax receipts in conformance with GASB 33.

Source: South Salt Lake Finance Department

Table 5

**City of South Salt Lake**  
**Property Tax Assessed Valuations/Rates/Levies/Collection Rates**  
**Last Ten Years**

Year	Assessed Valuation	Certified Tax Rate	Adopted Tax Rate	Adopted Judgment Levy Rate	Taxes Levied	Taxes Collected	Collection Rate
1995	\$ 613,654,651	0.001021	0.001021	N/A	\$ 626,541	\$ 669,961	106.93%
1996	677,158,161	0.001135	0.001135	N/A	768,575	918,957	119.57%
1997	772,417,443	0.001070	0.001070	N/A	826,487	892,737	108.02%
1998(a)	824,498,311	0.001102	0.001089	0.000013	908,597	880,406	96.90%
1999(b)	1,215,557,311	0.001072	0.001072	0.000033	1,317,646	1,305,963	99.11%
2000	1,285,792,055	0.001182	0.001182	N/A(c)	1,519,921	1,569,672	N/A(d)
2001	1,332,173,253	0.001411	0.001411	N/A(c)	1,857,891	1,870,249	N/A(e)
2002	1,332,884,437	0.001386	0.001386	N/A(c)	1,847,106	1,818,248	98.44%
2003	1,299,876,083	0.001403	0.001403	N/A(c)	1,839,745	1,787,482	97.16%
2004	1,298,334,668	0.001417	0.001417	N/A(c)	2,038,911	1,973,758	96.80%

(a) The City adopted a General Purposes Judgment Levy rate in 1998.

(b) Reflects increased valuation due to annexation in October 1998.

(c) Judgment Levy not adopted in 2000-2004.

(d) Not Applicable-collections exceeded assessed amount due to settlement with Salt Lake County regarding undisbursed 1998 annexation property taxes.

(e) Not Applicable-collections exceeded assessed amount due to re-allocation of law enforcement investigative tax collections from Salt Lake County to the City.

Source: Salt Lake County Treasurer  
Salt Lake County Auditor

Table 6

**City of South Salt Lake**  
**Assessed and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Assessed Valuation</u>	<u>Estimated Actual Value</u>	<u>Ratio of Assessed Value to Estimated Actual</u>
1995-96	\$ 613,654,651	\$ 563,915,659	108.82%
1996-97	677,158,161	739,148,805	91.61%
1997-98	772,417,443	785,455,696	98.34%
1998-99	824,498,311	855,090,128	96.42%
1999-00(a)	1,215,557,311	1,226,306,628	99.12%
2000-01	1,285,792,055	1,376,362,022	93.42%
2001-02	1,332,173,253	1,383,322,552	96.30%
2002-03	1,332,884,437	1,212,924,838	109.89%
2003-04	1,299,876,083	1,375,263,666	94.52%
2004-05	1,298,334,668	1,373,444,757	94.53%

(a) Increase valuation due to annexation in October 1998.

Source: Salt Lake County Auditor



Table 7

**City of South Salt Lake**  
**Property Tax Rates-Direct and Overlapping Governments - Last Ten Years**  
**Tax Rate (Per \$1 of Taxable Value)**

Fiscal Year	City of South Salt Lake(a)	Granite School District	Salt Lake County(b)	So. SL Co. Mosquito Abatement	Central Utah Water Conserv. District	SL Suburban Sanitary Dist #1(c)
1995	0.001021	0.009150	0.004432	0.0000402	0.000396	N/A
1996	0.001135	0.006130	0.004169	0.0000140	0.000342	N/A
1997	0.001070	0.005807	0.003729	0.0000130	0.000400	N/A
1998	0.001103	0.005669	0.002994	0.0000130	0.000397	0.000268
1999	0.001100	0.006960	0.003500	0.0000130	0.000397	0.000268
2000	0.001182	0.006650	0.002559	0.0000120	0.000400	0.000263
2001	0.001411	0.006487	0.003789	0.0000140	0.000369	0.000261
2002	0.001386	0.006460	0.003379	0.0000170	0.000358	0.000261
2003	0.001403	0.006740	0.004674	0.0000340	0.000358	0.000252
2004	0.001417	0.006746	0.003244	0.0000330	0.000353	0.000255

(a) Beginning in 1998 amount includes General Purposes Judgment Levy.

(b) Includes Salt Lake County Library, Planetarium, Health Department, Flood Control.

(c) The City annexed approximately two square miles in 1998 that is serviced by SL Suburban Sanitary District #1.

Source: Salt Lake County Assessor

Table 8

**City Of South Salt Lake  
Special Assessment Billings and Collections  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collections</u>
1995-96	\$ 59,255	\$ 28,701
1996-97	40,455	31,855
1997-98	42,075	14,803
1998-99	68,133	57,995
1999-00	53,000	41,663
2000-01	52,691	46,985
2001-02	50,314	41,681
2002-03	53,252	46,841
2003-04	46,989	40,497
2004-05	41,813	34,195

Source: South Salt Lake Finance Department

Table 9

**City of South Salt Lake  
Computation of Legal Debt Margin  
For Fiscal Year June 30, 2005**

Assessed Valuation	\$ 1,298,334,668
4% Debt Limit Fair Cash Value (a)	\$ 51,933,387
Less General Obligation Bonds	<u>-</u>
Legal Debt Margin	<u><u>\$ 51,933,387</u></u>

(a) The Utah State Constitution Article 14, paragraph 4 sets legal debt limit at 4% of Fair Cash Value of assessed property.

Source: Salt Lake County Auditor

Table 10

**City of South Salt Lake**  
**Ratio of Net General Obligation Bonded Debt to Assessed Value and**  
**Net General Obligation Bonded Debt Per Capita**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Assessed Valuation</u>	<u>General Bonded Debt</u>	<u>Ratio of General Bonded Debt to Assessed Value(a)</u>	<u>Ratio of General Bonded Debt to Per Capita</u>
1995-96	\$ 613,654,651	\$0	N/A	N/A
1996-97	677,158,161	0	N/A	N/A
1997-98	772,417,443	0	N/A	N/A
1998-99	824,498,311	0	N/A	N/A
1999-00	1,215,557,311	0	N/A	N/A
2000-01	1,285,792,055	0	N/A	N/A
2001-02	1,332,173,253	0	N/A	N/A
2002-03	1,332,884,437	0	N/A	N/A
2003-04	1,299,876,083	0	N/A	N/A
2004-05	1,298,334,668	0	N/A	N/A

(a) The City has not issued General Obligation Debt in the past ten years.

N/A - Not Applicable

Source: Salt Lake County Assessor

Table 11

**City of South Salt Lake**  
**Ratio of Annual Debt Service Expenditures for General Bonded**  
**Debt to Total General Fund Expenditures**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Annual Debt Service Expenditures(a)</u>	<u>Total General Fund Expenditures</u>	<u>Ratio</u>
1995-96	\$0	\$ 7,889,474	N/A
1996-97	0	8,616,136	N/A
1997-98	0	10,116,887	N/A
1998-99	0	12,087,596	N/A
1999-00	0	13,876,549	N/A
2000-01	0	14,870,131	N/A
2001-02	0	15,536,180	N/A
2002-03	0	15,668,135	N/A
2003-04	0	16,390,835	N/A
2004-05	0	16,631,420	N/A

(a) The City has not issued General Obligation debt in the past ten years.

N/A - Not Applicable

Source: South Salt Lake Finance Department

Table 12

**City of South Salt Lake**  
**Computation of Direct and Overlapping Debt**  
**As of December 31, 2004**

<u>Governmental Unit</u>	<u>Outstanding General Obligation Debt</u>	<u>City of South Salt Lake's %(a)</u>	<u>City of South Salt Lake's Share</u>
State of Utah(b)	\$ 1,514,510,000	1.10%	\$ 16,675,106
Salt Lake County	210,300,000	2.60%	5,467,800
Granite School District	0	0.00%	0
Central Utah Water Conservancy District	62,116,393	1.75%	1,087,037
Salt Lake City Suburban Sanitary District No. 1	<u>0</u>	0.00%	<u>0</u>
Total	\$ 1,786,926,393 <u>(1,514,510,000)</u>		\$ 23,229,943 <u>(16,675,106)</u>
Total Direct and Overlapping Debt	<u>\$ 272,416,393</u>		<u>\$ 6,554,837</u>

(a) Based on 2004 actual value of taxable property.

(b) The State of Utah does not levy property tax for its General Obligation Debt.

Sources:           Utah State Auditor  
                       Salt Lake County Auditor  
                       SLC Suburban Sanitary Dist. #1

Table 13

**City of South Salt Lake**  
**Revenue Bond Coverage - Last Ten Fiscal Years**  
**Municipal Building Authority - Lease Revenue Bonds**

<u>Year</u>	<u>Requirements</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Amount Available for Debt Service</u>	<u>Coverage</u>
1995-96(a)	\$ 96,219	\$ 96,219	\$ 0	\$ 96,219	100.0%
1996-97	422,081	447,426	0	447,426	106.0%
1997-98	511,061	513,843	0	513,843	100.5%
1998-99	299,957	299,305	0	299,843	100.0%
1999-00	291,495	291,495	0	291,495	100.0%
2000-01	288,122	302,308	2,635	299,673	104.0%
2001-02(b)					

(a) Revenue bonds issued in 1995-96.

(b) Revenue bonds retired in 2001-02

Source: South Salt Lake Finance Department

**City of South Salt Lake**  
**Public Safety Sales Tax Revenue Bonds**

<u>Year</u>	<u>Requirements</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Amount Available for Debt Service</u>	<u>Coverage</u>
2001-02(a)	\$ 167,943	\$ 170,273	\$ 2,330	\$ 167,943	100.0%
2002-03	644,820	654,018	2,010	652,008	101.1%
2003-04	644,120	653,640	2,520	651,120	101.1%
2004-05	642,820	656,881	2,250	654,631	101.8%

(a) Sales Tax revenue bonds issued in 2001-02

Source: South Salt Lake Finance Department

Table 14

**City of South Salt Lake  
Demographic Statistics**

<u>Year</u>	<u>1990</u>	<u>1994</u>	<u>2000(a)</u>	<u>2002</u>	<u>2010 Est.</u>	<u>2020 Est.</u>	
<u>Population</u>	10,129	10,693	22,038	21,901	23,801	26,445	
<u>Population Breakdown</u>	<u>Female</u>	<u>Male</u>	<u>White</u>	<u>African American</u>	<u>Native American</u>	<u>Asian</u>	<u>Hispanic or Other</u>
2000 Census	45.2%	54.8%	75.2%	2.9%	3.0%	2.6%	16.3%
<u>Other Information</u>	<u>Number of Families</u>	<u>Number of Households</u>	<u>Persons 18 Years of Age and Older</u>	<u>2000 Average Household Income</u>	<u>Daytime Population</u>		
2000 Census	4,592	8,022	16,751	\$24,290	71,000		

(a) In 1998 the City annexed approximately two square miles and 9,000 residents.

2000 share of Utah residents that live in South Salt Lake - 1.0%

2000 share of Salt Lake County residents that live in South Salt Lake - 2.4%

2002 estimated ratio of police officers per South Salt Lake resident - 1:377

2002 estimated ratio of fire fighters per South Salt Lake resident - 1:629

Sources: Wasatch Front Regional Council  
Utah State Governor's Office of Planning and Budget  
U.S. Bureau of Census  
South Salt Lake Chamber of Commerce



Table 15

**City of South Salt Lake  
Construction Value of Issued Permits  
Last Ten Fiscal Years**

Fiscal Year	Commercial		Residential		Other		Total	
	Permits Issued	Construction Value	Permits Issued	Construction Value	Permits Issued	Construction Value	Permits Issued	Construction Value
1995-96	39	\$ 6,393,328	15	\$ 926,266	436	\$26,940,651	490	\$34,260,245
1996-97(a)	137	1,059,585	135	11,029,591	148	509,998	420	12,599,174
1997-98	179	16,326,923	133	2,068,360	23	80,840	335	18,476,123
1998-99	237	16,071,366	141	1,126,119	0	0	378	17,197,485
1999-00	124	6,488,129	197	37,717,763	0	0	321	44,205,892
2000-01	192	23,756,157	117	1,905,116	219	418,546	528	26,079,819
2001-02	198	14,053,327	130	1,804,292	172	529,941	500	16,387,560
2002-03	348	19,893,817	123	1,369,971	0	0	471	21,263,788
2003-04	351	8,322,434	148	3,306,075	0	0	499	11,628,509
2004-05	246	24,236,005	132	2,546,368	97	364,061	475	27,146,434

(a) The Building Department changed its classification criteria resulting in a shift from the "other" category to "commercial" and "residential" categories.

Source: South Salt Lake Building and Planning Department

Table 16

**City of South Salt Lake  
Ten Principal Sales Tax Payers  
June 30, 2005**

<u>Taxpayer</u>	<u>Type of Business</u>
RC Willey	Home Furnishings
Standard Building Supply	Construction Materials
Sam's Club	Department, Grocery Store
Best Buy Stores	Retail Electronic Sales
Familian Plumbing	Construction Materials
Salt Lake Valley GMC	Auto Sales
Hinckley Dodge	Auto Sales
Codale Electric	Construction Materials
Low Book Sales	Auto Sales
Mark Miller Subaru	Auto Sales

Source: Utah State Tax Commission

Table 17

**City of South Salt Lake  
Ten Principal Property Tax Payers  
June 30, 2005**

<u>Taxpayer</u>	<u>Type of Business</u>
RC Willey Home Furnishings	Retail Sales
Century Theatres, Inc.	Movie Theaters
CDS-UT 1 Property	Multi-Family Housing
Van Nuys Center Building	Warehouse/Industrial
Deseret Title Holding Corp.	Warehouse
Rayman Associates	Multi-Family Housing
Price Development	Office, Commercial Leasing
Sam's Real Estate Business	Sam's Club, Retail Sales
Magnus I LC	Retail Development
Medical Leasing LTD	Medical Leasing

Source: Salt Lake County Assessor

Table 18

**City of South Salt Lake  
Miscellaneous Statistics  
For the Fiscal Year Ended June 30, 2005**

<b>Police Department</b>	<u>Number of Officers</u> 58	<u>Total Number Police Calls</u> 46,261	<u>Violent Crimes</u> 819	<u>Crimes Against Property</u> 3,949	<u>Traffic Citations Issued</u> 14,397
<b>Fire Department</b>	<u>Number of Firefighters</u> 41	<u>Total Number Calls</u> 4,034	<u>Number of Fires</u> 189	<u>Medical Calls</u> 2,913	<u>Average Response Time</u> 4.6 minutes
<b>Justice Court</b>	<u>Number of Employees</u> 10	<u>Total Cases</u> 10,663	<u>Traffic Cases</u> 9,396	<u>Community Service Worker Hours</u> 7,919	<u>Community Service Value to City</u> \$63,352
<b>Building Department</b>	<u>Number of Employees</u> 7	<u>Building Permits Issued</u> 475	<u>Business Licenses Issued</u> 1,957	<u>New Construction Valuation 2005</u> \$27,146,434	
<b>Administration</b>	<u>Number of Employees</u> 15	<u>Payroll Cks Processed</u> 6,466	<u>A/P Cks Processed</u> 6,874	<u>Utility Billings</u> 41,508	<u>Dog Licenses</u> 407

Supports all departments in the City with services in: accounting, payroll, human resources revenue collection, budgeting, record keeping and retention, Federal and State compliance reporting, utility billing and collection.

Source: South Salt Lake Finance Department

Table 19

**City of South Salt Lake**  
**Miscellaneous Statistics**  
**For the Fiscal Year Ended June 30, 2005**

	<u>Number of Employees</u>	<u>Road Improvements Sq. ft.</u>	<u>Concrete Improvements Sq. ft.</u>	<u>Road Miles</u>	<u>Tons of Solid Waste Removed</u>
<b>Public Works</b>	18	536,501	2,500	75	867

Includes: Street Department, Solid Waste Collection

	<u>Number of Employees</u>	<u>Gallons Produced (millions)</u>	<u>Gallons Purchased (millions)</u>	<u>Water Connections</u>	<u>Miles of Water Pipe</u>
<b>Water Department</b>	9	657	339	3,295	46

	<u>Number of Employees</u>	<u>Capital Improvements</u>	<u>Lift Stations</u>	<u>Sewer Connections</u>	<u>Miles of Sewer Pipe</u>
<b>Waste Water Department</b>	2	\$152,775	3	2,611	35

	<u>Number of Employees</u>	<u>Park Acreage</u>	<u>Recreation Programs Participants</u>	<u>Number of Sports Programs</u>	<u>Parks &amp; Rec. Capital Improvements</u>
<b>Parks &amp; Rec Department</b>	16	8	1,750	10	\$330,736

Source: South Salt Lake Finance Department

Table 20

**City of South Salt Lake  
Schedule of Insurance in Force  
Year Ended June 30, 2005**

Type of Coverage	Company	Period	Details of Coverage	Liability Limit
General Liability	The St. Paul Insurance Co.	07/01/04 - 06/30/05	General Liability	\$2,000,000 Each Occurrence \$2,000,000 Aggregate
Automobile Liability	The St. Paul Insurance Co.	07/01/04 - 06/30/05	Automobile Liability	\$2,000,000 CSL
Excess Liability	States Self-Insurance Fund	07/01/04 - 06/30/05	Excess Liability	\$10,000,000 Each Occurrence
Police Professional Liability Coverage	The St. Paul Insurance Co.	07/01/04 - 06/30/05	Law Enforcement Liability	\$2,000,000 Each Occurrence \$2,000,000 Aggregate
Public Officials Errors & Omissions	The St. Paul Insurance Co.	07/01/04 - 06/30/05	Public Officials Liability	\$2,000,000 Each Occurrence \$2,000,000 Aggregate
Treasurer's Surety Bond	Western Surety Co.	07/01/04 - 06/30/05	Public Funds Bond	\$1,000,000
Public Employees Blanket Bond	Western Surety Co.	07/01/04 - 06/30/05	Employee malfeasance protection bond	\$25,000
Property Insurance	Affiliated AM	07/14/04 - 07/14/05	Public Buildings & Structures	Replacement \$21,498,000 Limit
Workers Compensation	Workers Compensation Fund of Utah	01/01/05 - 12/31/05	Workers Compensation	

\* The City carries only liability insurance on most vehicles. The City carries full coverage on large pieces of equipment such as fire trucks, 10-wheel dump trucks, street sweepers, etc.

# **SINGLE AUDIT**

## **SECTION**

**City of South Salt Lake**



## PINNOCK, ROBBINS, POSEY & RICHINS

*Certified Public Accountants • A Professional Corporation*

Roger B. Pinnock, CPA  
Ronald D. Robbins, CPA  
David T. Posey, CPA

Roger O. Richins, CPA  
Janis R. Kline, CPA  
James R. Beaudoin, PFS, CFP, CPA

### **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Council  
City of South Salt Lake  
South Salt Lake, Utah

We have audited the financial statements of the City of South Salt Lake as of and for the year ended June 30, 2005, and have issued our report thereon dated November 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the City of South Salt Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance, which have been communicated to the management of the City of South Salt Lake in a separate letter dated November 15, 2005.

#### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of South Salt Lake's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the City of South Salt Lake's management, City Council, federal awarding agencies, and applicable regulatory agencies. It is not intended to be and should not be used by anyone other than these specified parties.

*Pinnock, Robbins, Posey & Richins*

November 15, 2005



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## PINNOCK, ROBBINS, POSEY & RICHINS

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### **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council  
City of South Salt Lake  
South Salt Lake, Utah

#### **Compliance**

We have audited the compliance of the City of South Salt Lake with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City of South Salt Lake's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of South Salt Lake's management. Our responsibility is to express an opinion on the City of South Salt Lake's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of South Salt Lake's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of South Salt Lake's compliance with those requirements.

In our opinion, the City of South Salt Lake complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

## Internal Control Over Compliance

The management of the City of South Salt Lake is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of South Salt Lake's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the City of South Salt Lake's management, City Council, federal awarding agencies, and applicable regulatory agencies. It is not intended to be and should not be used by anyone other than these specified parties.

*Pinnock, Robbins, Posey & Richins*

November 15, 2005

**CITY OF SOUTH SALT LAKE**

**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2005**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of South Salt Lake.
2. No reportable conditions relating to the audit of the financial statements were reported in the **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***.
3. No instances of noncompliance material to the financial statements of the City of South Salt Lake were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**.
5. The auditors' report on compliance for the major federal award programs for the City of South Salt Lake expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for the City of South Salt Lake are reported in Part C. of this Schedule.
7. The programs tested as major programs include: Community Development Block Grant, CFDA number 14.218
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of South Salt Lake was determined to be a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

None

**CITY OF SOUTH SALT LAKE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass- through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing And Urban Development</u>			
Passed Through Salt Lake County: Community Development Block Grant	14.218	Various	\$ 480,014
<u>U.S. Department of Justice</u>			
Local Law Enforcement Block Grant (Note B)	16.592	2005-F5161-UT-DJ	10,172
Crime Victim Assistance (Note C)	16.575	04-VOCA-41	25,673
Bulletproof Vest Partnership Grant (Note D)	16.607	05023416	6,760
<u>U.S. Department of Homeland Security</u>			
State Domestic Preparedness Equipment Support Grant	97.004	Various	<u>214,220</u>
Total			<u>\$ 736,839</u>

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards is presented using the same basis of accounting as that used in reporting the expenditures in the City's financial statements. The basis of accounting for each fund is described in footnote 1.b. of the City's financial statements.

**NOTE B – LOCAL LAW ENFORCEMENT BLOCK GRANT**

In accordance with terms of the grant, the City of South Salt Lake has expended matching contributions totaling \$1,731 during the year ended June 30, 2005.

**CITY OF SOUTH SALT LAKE**

**SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE C - CRIME VICTIM ASSISTANCE**

In accordance with the grant agreement, the City of South Salt Lake has expended matching contributions totaling \$6,422 during the year ended June 30, 2005.

**NOTE D - BULLETPROOF VEST PARTNERSHIP GRANT**

In accordance with the grant agreement, the City of South Salt Lake has expended matching contributions totaling \$7,694 during the year ended June 30, 2005.

**CITY OF SOUTH SALT LAKE**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED JUNE 30, 2005**

No prior audit findings.



# PINNOCK, ROBBINS, POSEY & RICHINS

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## INDEPENDENT AUDITORS' REPORT ON STATE OF UTAH LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of South Salt Lake  
South Salt Lake, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Salt Lake, Utah, for the year ended June 30, 2005 and have issued our report thereon dated November 15, 2005. As part of our audit, we have audited the City of South Salt Lake's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major assistance programs from the State of Utah.

B & C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City of South Salt Lake's financial statements.)

EMS Fines – Contracts/Grants (Department of Health)

Our audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Justice Court  
B & C Road Funds

Other General Issues  
Uniform Building Code Standards  
Liquor Law Enforcement  
Truth in Taxation and Property  
Tax Limitations  
Impact fees

The management of the City of South Salt Lake is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.



We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City of South Salt Lake, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Pinnock, Robbins, Posey & Richards

November 15, 2005



## PINNOCK, ROBBINS, POSEY & RICHINS

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November 15, 2005

Honorable Mayor and City Council  
City of South Salt Lake  
South Salt Lake City, Utah

Dear Mayor and Council:

The City of South Salt Lake is ultimately responsible for the financial condition of the City, and for the City's compliance with finance related state and federal law. The Uniform Fiscal Procedures Act outlines responsibilities of the governing body.

The purpose of the financial statements is to report in summary form, the financial condition of the City, and the results of its operations and changes in financial condition, and to provide information to the governing body to help them satisfy their legal and political responsibilities for determining and demonstrating compliance with the various finance related state and federal law.

During the audit we observed that the City has made significant efforts to establish good accounting procedures and controls. Accounting controls are established to safeguard assets and to provide reliable financial and accounting information to the management and governing board. We commend the City and its employees for their efforts in this area.

During our audit we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies and are summarized as follows:

### **STATE LEGAL COMPLIANCE**

#### **Court Surcharge Remittances (Prior Year Recommendation)**

We noted that the court surcharges were not always remitted by the tenth of the following month as required by State law.

#### **Recommendation**

We recommend that the surcharges and accompanying reports be submitted each month by the tenth of the month.

#### **Management's Response**

The City will make every effort to file court surcharge reports by the tenth of each month.

### **Disposition of Court Trust Funds (Prior Year Recommendation)**

During our audit, we were unable to substantiate court approval on the disposition of trust funds on a portion of the disbursements we sampled. State law requires that trust account funds be receipted and disbursed upon a court order.

#### **Recommendation**

We recommend that the City appropriately document court orders regarding the disposition and application of trust account funds.

#### **Management's Response**

The court has instituted a method to document trust funds dispositions. The judge will complete a "minute entry" form for each case and attach it to the correct file.

### **Building Permit Surcharge Quarterly Report (Prior Year Recommendation)**

During our audit, we noted that the building permit surcharge quarterly report for one quarter was not submitted within thirty days following the end of the quarter as required by State law.

#### **Recommendation**

We recommend that the surcharges and accompanying reports be submitted no later than thirty days following the end of each quarter.

#### **Management's Response**

Building surcharge reports will be filed on a timely basis for all quarters.

### **STATUS OF PRIOR YEAR RECOMMENDATIONS**

#### **Negative Fund Balance (Prior Year Recommendation)**

We noted the Redevelopment Agency Fund has a negative fund balance. Utah law does not allow for funds to carry negative balances.

#### **Recommendation**

We recommend that the City review the negative fund balance to determine if current year revenues will cover last year's negative fund balance.

#### **Status**

Implemented

### **B and C Project Advertisement for Bids**

During our audit, we noted that advertisements for bids on B and C road projects were published three times within eight days. State law requires that advertisements for bids on B and C road projects greater than \$125,000 be published at least once a week for three consecutive weeks. The City was not in compliance with this requirement during the year.

### **Recommendation**

We recommend that the City take care to comply with advertising requirements for bids on B and C road projects.

### **Status**

Implemented

\*\*\*\*\*

We sincerely appreciate the cooperation we received from the management and employees of the City during the course of the audit. It has been a pleasure working with them. We appreciate the opportunity to serve as your auditors. If you have any questions regarding any of the matters discussed, please feel free to contact us.

*Pinnock, Robbins, Posey & Richins*

PINNOCK, ROBBINS, POSEY & RICHINS, PC

***City of South Salt Lake and the  
Redevelopment Agency of the City of South Salt Lake***

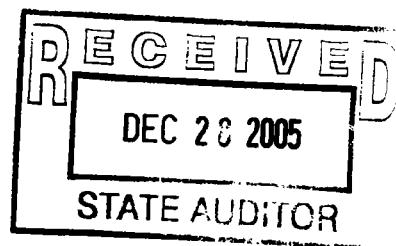
Telephone: (801) 483-6000

220 East Morris Avenue  
City of South Salt Lake, Utah 84115

Fax: (801) 483-6001

December 23, 2005

Mr. Richard Moon  
Office of the State Auditor  
East Office Bldg. Suite E310  
Salt Lake City, UT 84114-2310



Dear Mr. Moon:

Enclosed is one copy of the City of South Salt Lake's Consolidated Annual Financial Report (CAFR). This CAFR includes information regarding the Redevelopment Agency of South Salt Lake, in accordance with Section 17A-2-1219. The information required by Section 17A-2-1217(3) can be found in the audit as follows:

- (a) the tax increment collected by the agency for each project area: Foot note 13
- (b) the amount of tax increment paid to any taxing agency : Not applicable.
- (c) the outstanding principal amount of bonds issued or other loans incurred to finance the costs associated with the project areas: Foot note 13
- (d) the actual amount expended for:
  - (i) acquisition of property: Foot note 13
  - (ii) site improvements or preparation costs: Foot note 13
  - (iii) installation of public utilities or other public improvements:  
Not applicable.
  - (iv) administrative costs of the agency: Foot note 13
  - (v) tax increment distributions: Foot note 13

If you have any questions concerning the audit please contact Kyle Kershaw, Director of Finance at 801-464-6756.